



Audit of the  
Superior Court of California,  
County of Yuba

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REPORT OF  
INTERNAL AUDIT SERVICES

AUGUST 2013



ADMINISTRATIVE OFFICE  
OF THE COURTS

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JUDICIAL COUNCIL AND COURT LEADERSHIP  
SERVICES DIVISION

INTERNAL AUDIT SERVICES

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**Superior Court of California, County of Yuba**

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## MANAGEMENT SUMMARY

### Introduction

The Trial Court Funding Act of 1997 (Act) eliminated the requirement for county audits of the courts effective January 1, 1998. Since that time, the Superior Courts of California have undergone significant changes to their operations. These changes have also impacted their internal control structures, yet no independent reviews of their operations were generally conducted until the Administrative Office of the Courts (AOC), Internal Audit Services (IAS), began court audits in 2002.

The audit of the Superior Court of California, County of Yuba (Court) was initiated by IAS in February 2013. Depending on the size of the court, the audit process typically involves two or three audit cycles encompassing the following primary areas:

- Court administration
- Cash controls
- Court revenue and expenditure
- General operations

IAS audits cover all four of the above areas. The audit process involves the review of the Court's compliance with California statute, California Rules of Court, the *Trial Court Financial Policies and Procedures Manual* (FIN Manual), and other relevant policies. IAS conducted its first audit of the Court in FY 2007–2008. IAS followed up on issues identified in this prior audit to determine whether the Court adequately resolved previous issues.

Compliance with the Financial Integrity and State Manager's Accountability Act (FISMA) is also an integral part of the audit process. The primary focus of a FISMA review is to evaluate the Court's internal control structure and processes. While IAS believes that FISMA may not apply to the Judicial Branch, IAS understands that it represents good public policy and conducts internal audits incorporating the following FISMA concepts relating to internal control:

- A plan of organization that provides segregation of duties appropriate for proper safeguarding of assets;
- A plan that limits access to assets to authorized personnel;
- A system of authorization, record keeping, and monitoring that adequately provides effective internal control;
- An established system of practices to be followed in the performance of duties and functions; and
- Personnel of a quality commensurate with their responsibilities.

IAS believes that this audit provides the Court with a review that also accomplishes what FISMA requires.

IAS audits are designed to identify instances of non-compliance, such as with the FIN Manual and FISMA. Some of these instances of non-compliance are highlighted in the

**Audit Issues Overview** below. Although IAS audits do not emphasize or elaborate on areas of compliance, we did identify examples in which the Court was in compliance with the FIN Manual and FISMA. Specifically, except for those issues reported in this report, some of the areas where IAS found the Court in compliance included the following:

- An organizational plan that provides for an effective segregation of duties to properly safeguard assets, including money from its collection to deposit.
- A well documented system of authorization and recordkeeping for revenues and expenditures that provides effective accounting control.
- Management controls to monitor personnel in the performance of their duties and responsibilities.
- The ability to attract and retain quality personnel that are knowledgeable and motivated to take accountability and responsibility for the performance of their duties.

To enable the Court to continue to improve and strengthen its system of internal controls, it is important that the Court note those areas of noncompliance reported below and in the body of this report. The Court should actively monitor the issues reported in this audit, and any issues identified by its own internal staff that may perform periodic reviews of Court operations and practices, to ensure it implements prompt, appropriate, and effective corrective action.

### **Audit Issues Overview**

This internal audit identified areas of noncompliance that were consolidated into the reportable issues included in this report, as well as other areas of noncompliance that IAS did not consider significant enough to include in the report, but were nonetheless communicated to court management. IAS provided the Court with opportunities to respond to all the issues identified in this report and included these responses in the report to provide the Court's perspective. IAS did not perform additional work to verify the implementation of the corrective measures asserted by the Court in its responses.

Although the audit identified other reportable issues, the following issues are highlighted for Court management's attention. Specifically, the Court needs to improve and refine certain procedures and practices to ensure compliance with statewide policies and procedures and/or best practices. These issues are summarized below:

#### *Accounting For Financial Transactions (Issue 4.1, on page 9)*

Internal and external users of court financial information depend on reliable court financial data and reports to obtain the information they need to evaluate each court's finances. Accordingly, the FIN Manual, establishes uniform guidelines and accounting principles for courts to follow when gathering, summarizing, and reporting accounting information associated with the fiscal operations of each court. The FIN Manual requires courts to comply with the basic principles of accounting and reporting that apply to government units. It also requires that courts execute and account for financial transactions in conformity with generally accepted accounting principles and legal requirements.

To determine whether the Court properly recorded, classified, and reported its financial transactions, we reviewed its general ledger (GL) account balances and its accounting treatment

of a limited number of financial transactions that we selected to review during the audit. Our review determined that the Court does not always properly account for and report its financial transactions. Specifically, in its June 30, 2013, financial statements, the Court misclassified in its accounting system monies held by the county Treasurer's Office or in outside bank accounts, therefore, it inappropriately reported these monies in the Court's financial statements.

For example, the Court entered in its accounting system and reported as a trust fund the daily fines, fees, and assessments that it collected and deposited in county Fund 242. However, these monies are not trust monies that the Court receives and holds in trust. Instead, these monies are collections that the Court passes through to the county for distribution. Therefore, these collections monies are more appropriately recorded and reported in an agency fund. Similarly, the Court reported in a trust fund the Microfiche revenues it deposited in county Fund 243. However, similar to the collections monies above, these monies are also not trust monies. Instead, these monies were restricted by statute for a specific purpose and are more appropriately recorded in a special revenue fund. The Court also reported in a trust fund the warrant fee revenue deposited in county Fund 269. However, these warrant fee revenues are county monies; therefore, these monies are more appropriately reported by the county in its financial statements, not the Court financial statements.

Further, the Court did not report in its financial statements the enhanced collections monies that it holds in a bank account outside of the AOC treasury. These unreported monies equal 6.5 percent of its reported June 30, 2013, assets and are more appropriately reported in an agency fund.

We also found the Court did not prepare a detailed reconciliation of county Fund 103 to its respective general ledger account. Specifically, the Court's reconciliation documents do not demonstrate accountability of total activity within the Court general ledger and the county ledger for a given period with a listing of reconciling items that explain the differences. Since the Court reconciliation process is not thorough, the risk is higher that errors may occur and not be caught in a timely manner, resulting in accounts that no longer balance. A detailed reconciliation serves as a vital cross-walk document between actual assets in the county treasury and Court reported assets, and is a key accounting record that helps support the accuracy of Court reported assets within the accounting system.

The Court agreed with the IAS recommendations and indicates that it will take action to correct the issues.

*Enhanced Collections (Issue 5.2, on page 18)*

Our review determined that the Court established an in-house comprehensive collections program, and uses the services of a third-party collection agency for hard-to-collect accounts. However, the Court also provides collection services to the County for other matters, such as probation services, juvenile hall costs, county parking citations, reimbursement for jail medical costs, and victim restitution. Since the County is responsible for these other collection efforts, the associated cost of collections are not California Rule of Court, rule 10.810 allowable court operations costs. Therefore, the County agreed to provide the Court with the 10 percent incentive monies collected for the Restitution Fund to fund the County's collection efforts.

However, according to statute, these incentive monies are to be used to supplement the budget for the county agencies responsible for collecting the funds owed to the Restitution fund, but it is not to be used to supplant the county funding.

To ensure the Court is not using court operations funds, the 10 percent incentive monies, or comprehensive collections program monies to operate some of the other County collections programs, we asked the Court whether it conducted a cost-benefit analysis to determine whether these other collection efforts were cost effective to the Court. We also requested the Court to provide documentation to support the revenue recovery and costs associated with performing these collection services for the County to determine whether the costs are being fully recovered by the Court. However, the Court was unable to provide the requested documentation. As a result, the Court could not demonstrate that the costs of the collection efforts it performs on behalf of the County are fully recovered and that court operations monies were not used to pay for any County collections program.

The Court agreed with the IAS recommendations and indicates that it will take action to correct the issues.

*Travel Expense Reimbursements (Issue 11.1 on page 40)*

The Court needs to improve its procedures for reviewing and approving travel expense claims. As stewards of public funds, courts are obligated to demonstrate responsible and economical use of public funds. Additionally, statute and policy requires trial court judges and employees to follow business-related travel reimbursement procedures recommended by the Administrative Director of the Courts and approved by the Judicial Council. As such, the FIN Manual provides trial courts with policy and procedures-including rules and limits-for arranging, engaging in, and claiming reimbursement for travel expenses that employees incur while on official court business such as for meals connected with official court business. These rules and limits also apply to business-related travel by a contractor – for items such as air transportation, lodging, meals, personal vehicle usage, and rental vehicle usage – that must be addressed in a written agreement between the contractor and the court.

Although the FIN Manual provides uniform guidelines for courts to follow when processing travel expense claims (TEC) for payment, the Court did not always follow these guidelines. For instance, the appropriate-level supervisors did not always review and approve the TECs. In addition, the Court did not adequately review TECs and the associated travel expenses reimbursed by the Court. For example, The Court reimbursed a contractor for mileage even though the contractor's claim did not provide sufficient information to determine whether the mileage was reasonable. For another Court employee TEC, the Court paid the claimed mileage even though the traveler did not claim the lesser of the mileage between headquarters or home and the business destination as required by the FIN Manual.

The Court agreed with the IAS recommendations and indicates that it is taking action to correct the issues.

## STATISTICS

The Superior Court of California, County of Yuba (Court) operates from a main courthouse and an annex for Family Court Services. The Court has 5.3 judges and subordinate judicial officers and employs approximately 48 court staff to fulfill its administrative and operational activities. It incurred total trial court expenditures of more than \$5.4 million for the fiscal year that ended June 30, 2013.

Before 1997, courts and their respective counties worked within common budgetary and cost parameters—often the boundaries of services and programs offered by each blurred. The courts operated much like other county departments and, thus, may not have comprehensively or actively sought to segregate or identify the cost and service elements attributable to court operations and programs. With the mandated separation of the court system from county government, each entity had to reexamine their respective relationships relative to program delivery and services rendered, resulting in the evolution of specific cost identification and contractual agreements for the delivery of county services necessary to operate each court.

For fiscal year 2011–2012, the Court received various services from the County of Yuba (County). For instance, the Court received County-provided services such as telecommunications, payroll, janitorial, and mail services. However, at the time of our review the Court still had not entered into a current memorandum of understanding (MOU) with the County for the County-provided services.

The charts that follow contain general Court statistical information.

<b>County Population</b> (Estimated as of January 1, 2013)	73,439
<small>Source: California Department of Finance</small>	
<b>Number of Court Locations</b>	2
<b>Number of Courtrooms</b>	7
<small>Source: Superior Court of California, County of Yuba</small>	
<b>Number of Case Filings in FY 2011–2012:</b>	
<b>Criminal Filings:</b>	
▪ Felonies	817
▪ Non-Traffic Misdemeanor	1,582
▪ Non-Traffic Infractions	418
▪ Traffic Misdemeanors	352
▪ Traffic Infractions	13,792
<b>Civil Filings:</b>	
▪ Civil Unlimited	360
▪ Motor Vehicle PI/PD/WD	49
▪ Other PI/PD/WD	22
▪ Other Civil Complaints & Petitions	282
▪ Small Claims Appeals	7

<ul style="list-style-type: none"> <li>▪ Limited Civil</li> <li>▪ Small Claims</li> </ul> <p><b>Family and Juvenile Filings:</b></p> <ul style="list-style-type: none"> <li>▪ Family Law (Marital)</li> <li>▪ Family Law Petitions</li> <li>▪ Juvenile Delinquency – Original</li> <li>▪ Juvenile Delinquency – Subsequent</li> <li>▪ Juvenile Dependency – Original</li> <li>▪ Juvenile Dependency – Subsequent</li> </ul> <p><b>Other Filings:</b></p> <ul style="list-style-type: none"> <li>▪ Probate</li> <li>▪ Mental Health</li> </ul>	<p>981</p> <p>177</p> <p>454</p> <p>909</p> <p>88</p> <p>26</p> <p>79</p> <p>0</p> <p>113</p> <p>74</p>
Source: Judicial Council of California's 2013 Court Statistics Report	
<p><b>Select FY 2012-2013 Financial Information:</b></p> <p>Total Financing Sources</p> <p>Total Expenditures</p> <p>Total Personal Services Costs</p> <p>Total Temporary Help Costs</p>	<p>\$4,893,944</p> <p>\$5,407,729</p> <p>\$3,946,961</p> <p>\$0</p>
Source: FY 2012–2013 Quarterly Financial Statements – Fourth Quarter	
<p><b>Judicial Officers as of June 30, 2012:</b></p> <p>Authorized Judgeships</p> <p>Authorized Subordinate Judicial Officers</p>	<p>5</p> <p>0.3</p>
Source: Judicial Council of California's 2013 Court Statistics Report	
<p><b>Court Staff as of June 30, 2013:</b></p> <p>Total Authorized FTE Positions</p> <p>Total Filled FTE Positions</p> <p>Total Fiscal Staff</p>	<p>57.25</p> <p>48</p> <p>2</p>
Source: FY 2012–2013 Quarterly Financial Statements – Fourth Quarter FY 2012-2013 Schedule 7A	
<p><b>FY 2012–2013 Average Daily Collections</b></p>	<p>\$34,389</p>
Source: Superior Court of California, County of Yuba	

## FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has identified accountability as the paramount objective of financial reporting. The GASB has further identified two essential components of accountability, fiscal and operational. **Fiscal accountability** is defined as:

The responsibility of governments to justify that their actions in the current period have complied with public decisions concerning the raising and spending of public moneys in the short term (usually one budgetary cycle or one year).

The *Strategic Plan for California's Judicial Branch 2006-2012* entitled *Justice in Focus* established, consistent with the mission statement of the Judicial Council, a guiding principle that states that "Accountability is a duty of public service" and the principle has a specific statement that "The Judicial Council continually monitors and evaluates the use of public funds." As the plan states, "All public institutions, including the judicial branch, are increasingly challenged to evaluate and be accountable for their performance, and to ensure that public funds are used responsibly and effectively." For the courts, this means developing meaningful and useful measures of performance, collecting and analyzing data on those measures, reporting the results to the public on a regular basis, and implementing changes to maximize efficiency and effectiveness. Goal II of the plan is independence and accountability with an overall policy stated as:

Exercise the constitutional and statutory authority of the judiciary to plan for and manage its funding, personnel, resources, and records and to practice independent rule making.

Two of the detailed policies are:

1. Establish fiscal and operational accountability standards for the judicial branch to ensure the achievement of and adherence to these standards throughout the branch; and
2. Establish improved branch wide instruments for reporting to the public and other branches of government on the judicial branch's use of public resources.

Under the independence and accountability goal of *The Operational Plan for California's Judicial Branch, 2008 – 2011*, objective 4 is to "Measure and regularly report branch performance – including branch progress toward infrastructure improvements to achieve benefits for the public." The proposed desired outcome is "Practices to increase perceived accountability."

To assist in the fiscal accountability requirements of the branch, the Administrative Office of the Courts (AOC) developed and established the statewide fiscal infrastructure project, Phoenix Financial System. The Superior Court of California, County of Yuba (Court), implemented this fiscal system and processes fiscal data through the AOC Trial Court Administrative Services Division that supports the Phoenix Financial System. The fiscal data on the following three pages are from this system and present the comparative financial statements of the Court's Trial Court Operations Fund for the last two fiscal years. The three schedules are:

1. Balance Sheet (statement of position);

2. Statement of Revenues, Expenditures, and Changes in Fund Balances (statement of activities); and
3. Statement of Program Expenditures (could be considered “product line” statement).

The fiscal year 2011–2012 information is condensed into a total funds column (does not include individual fund detail). The financial statements specify that the total funds columns for each year are for “information purposes” as the consolidation of funds are not meaningful numbers. Additionally, the financial information is presented, as required, on a modified accrual basis of accounting, which recognizes increases and decreases in financial resources only to the extent that they reflect near-term inflows or outflows of cash.

There are three basic fund classifications available for courts to use: Government, Proprietary and Fiduciary. The Court utilizes the following classifications and types:

- **Governmental**
  - **General** – Used as the chief operating fund to account for all financial resources except those required to be accounted for in a separate fund.
  - **Special Revenue** – Used to account for certain revenue sources “earmarked” for specific purposes (including grants received). Funds included here are:
    - **Special Revenue**
      1. Small Claims Advisory Fund – 120003
      2. Dispute Resolution Fund – 120004
      3. Grand Jury Fund – 120005
      4. Enhanced Collections Fund – 120007
      5. Children’s Waiting Room Fund – 180005
    - **Grants**
      1. Assembly Bill (AB)1058 Family Law Facilitator Program – 1910581
      2. AB1058 Child Support Commissioner Program – 1910591
      3. Substance Abuse Focus Program – 1910601
- **Fiduciary**
  - **Trust** – Used to account for funds held in a fiduciary capacity for a third party (non-governmental) generally under a formal trust agreement. Generally Accepted Accounting Principles (GAAP) indicates that fiduciary funds should be used “to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs.”<sup>1</sup> Fiduciary funds include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust funds and agency funds is that trust funds normally are subject to “a trust agreement that affects the degree of management involvement and the length of time that the resources are held.” Funds included here include deposits for criminal bail trust, civil interpleader, eminent domain, etc. The fund used here is:
    - Trust – 320001

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<sup>1</sup> GASB Statement No. 34, paragraph 69.

- **Agency** - Used to account for resources received by one government unit on behalf of a secondary governmental or other unit. Agency funds, unlike trust funds, typically do not involve a formal trust agreement. Rather, agency funds are used to account for situations where the government's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, all assets reported in an agency fund are offset by a liability to the party(ies) on whose behalf they are held. Finally, as a practical matter, a government may use an agency fund as an internal clearing account for amounts that have yet to be allocated to individual funds. This practice is appropriate for internal accounting purposes. However, for external financial reporting purposes, GAAP expressly limits the use of fiduciary funds, including agency funds, to assets held in a trustee or agency capacity for others. Because the resources of fiduciary funds, by definition, cannot be used to support the government's own programs, such funds are specifically excluded from the government-wide financial statements.<sup>2</sup> **They are reported, however, as part of the basic fund financial statements to ensure fiscal accountability.** Sometimes, a government will hold escheat resources on behalf of another government. In that case, the use of an agency fund, rather than a private-purpose trust fund, would be appropriate. The fund included here is:
  - Civil Filing Fees Fund – 450000
  - Treasury Fund – 910000

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<sup>2</sup> GASB Statement No. 34, paragraph 12.

Superior Court of California, County of Yuba  
 Trial Court Operations Fund  
 Balance Sheet  
 (Unaudited)

For the Fiscal Year Ended June 30,						
2013						
	Governmental Funds			Fiduciary Funds	Total Funds (Info. Purposes Only)	Total Funds (Info. Purposes Only)
	General	Special Revenue Non-Grant	Grant			
<b>ASSETS</b>						
Operations	\$ (21,400)	\$ 43,361	\$ 0	\$ 1,964	\$ 23,926	\$ (69,779)
Payroll						\$ 0
Jury						
Revolving						
Distribution						
Civil Filing Fees				\$ 0	\$ 0	\$ 0
Trust						
Cash on Hand	\$ 350				\$ 350	\$ 350
Cash with County	\$ 448,225	\$ 0	\$ 0	\$ 640,515	\$ 1,088,740	\$ 791,877
Cash Outside of the AOC						
<b>Total Cash</b>	<b>\$ 427,175</b>	<b>\$ 43,361</b>	<b>\$ 0</b>	<b>\$ 642,479</b>	<b>\$ 1,113,016</b>	<b>\$ 722,449</b>
Short Term Investment	\$ 229,187			\$ 87,263	\$ 316,449	\$ 456,239
Investment in Financial Institution						
<b>Total Investments</b>	<b>\$ 229,187</b>			<b>\$ 87,263</b>	<b>\$ 316,449</b>	<b>\$ 456,239</b>
Accrued Revenue	\$ 117	\$ 2			\$ 119	\$ 716
Accounts Receivable - General						
Dishonored Checks						
Due From Employee	\$ 36				\$ 36	\$ 606
Civil Jury Fees	\$ 1,546				\$ 1,546	
Due From Other Funds	\$ 155,310				\$ 155,310	\$ 263,715
Due From Other Governments	\$ 0	\$ 5,000	\$ 0		\$ 5,000	\$ 0
Due From State	\$ 70,665	\$ 2,632	\$ 171,216		\$ 244,513	\$ 359,309
<b>Total Receivables</b>	<b>\$ 227,674</b>	<b>\$ 7,634</b>	<b>\$ 171,216</b>	<b>\$ 0</b>	<b>\$ 406,524</b>	<b>\$ 624,346</b>
Prepaid Expenses - General						
Salary and Travel Advances						
<b>Total Prepaid Expenses</b>						
Other Assets						
<b>Total Other Assets</b>						
<b>Total Assets</b>	<b>\$ 884,036</b>	<b>\$ 50,995</b>	<b>\$ 171,216</b>	<b>\$ 729,742</b>	<b>\$ 1,835,989</b>	<b>\$ 1,803,034</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Accrued Liabilities	\$ 50,816	\$ 17,745	\$ 19,043		\$ 87,603	\$ 69,682
Accounts Payable - General	\$ 1,805	\$ 0	\$ 1,863	\$ 0	\$ 3,668	\$ 0
Due to Other Funds	\$ 0	\$ 5,000	\$ 150,310	\$ 0	\$ 155,310	\$ 263,715
Due to State	\$ 0				\$ 0	\$ 0
TC145 Liability				\$ 89,225	\$ 89,225	\$ 91,130
Due to Other Governments	\$ 0		\$ 0		\$ 0	\$ 0
AB145 Due to Other Government Agency						
Due to Other Public Agencies						
Sales and Use Tax	\$ 0		\$ 0		\$ 0	\$ 0
Interest				\$ 1	\$ 1	\$ 11
Miscellaneous Accts. Pay. and Accrued Liab.						\$ 0
<b>Total Accounts Payable and Accrued Liab.</b>	<b>\$ 52,621</b>	<b>\$ 22,745</b>	<b>\$ 171,216</b>	<b>\$ 89,227</b>	<b>\$ 335,809</b>	<b>\$ 424,538</b>
Civil						
Criminal						
Trust Held Outside of the AOC				\$ 640,515	\$ 640,515	\$ 301,216
Trust Interest Payable						
Miscellaneous Trust						
<b>Total Trust Deposits</b>				<b>\$ 640,515</b>	<b>\$ 640,515</b>	<b>\$ 301,216</b>
Accrued Payroll	\$ 0		\$ 0		\$ 0	\$ 0
Benefits Payable						
Deferred Compensation Payable						
Deductions Payable						
Payroll Clearing	\$ 283,230	\$ 12,453			\$ 295,683	
<b>Total Payroll Liabilities</b>	<b>\$ 283,230</b>	<b>\$ 12,453</b>	<b>\$ 0</b>		<b>\$ 295,683</b>	<b>\$ 0</b>
Revenue Collected in Advance	\$ 1,299				\$ 1,299	\$ 812
Liabilities For Deposits						
Jury Fees - Non-Interest						
Fees - Partial Payment & Overpayment						
Uncleared Collections						
Other Miscellaneous Liabilities						
<b>Total Other Liabilities</b>	<b>\$ 1,299</b>				<b>\$ 1,299</b>	<b>\$ 812</b>
<b>Total Liabilities</b>	<b>\$ 337,150</b>	<b>\$ 35,198</b>	<b>\$ 171,216</b>	<b>\$ 729,742</b>	<b>\$ 1,273,306</b>	<b>\$ 726,566</b>
<b>Total Fund Balance</b>	<b>\$ 546,886</b>	<b>\$ 15,797</b>	<b>\$ 0</b>		<b>\$ 562,683</b>	<b>\$ 1,076,468</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 884,036</b>	<b>\$ 50,995</b>	<b>\$ 171,216</b>	<b>\$ 729,742</b>	<b>\$ 1,835,989</b>	<b>\$ 1,803,034</b>

Source: Phoenix Financial Systems

**Superior Court of California, County of Yuba  
Trial Court Operations Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances  
(Unaudited)**

	For the Fiscal Year						
	2012-13				2011-12		
	Governmental Funds			Total Funds (Info. Purposes Only)	Current Budget (Annual)	Total Funds (Info. Purposes Only)	Final Budget (Annual)
	General	Special Revenue					
Non-Grant		Grant					
<b>REVENUES</b>							
<b>State Financing Sources</b>							
Trial Court Trust Fund	\$ 3,299,806	\$ 15,792		\$ 3,315,598	\$ 3,294,982	\$ 4,139,011	\$ 3,985,131
Improvement and Modernization Fund	\$ 12,348			\$ 12,348	\$ 12,090	\$ 12,090	\$ 13,825
Judges' Compensation (45.25)	\$ 0			\$ 0			
Court Interpreter (45.45)	\$ 46,705			\$ 46,705	\$ 60,482	\$ 60,482	\$ 58,069
MOU Reimbursements (45.10 and General)	\$ 259,917			\$ 259,917	\$ 267,365	\$ 272,122	\$ 286,011
Other Miscellaneous	\$ 146,093			\$ 146,093	\$ 67,652	\$ 67,652	\$ 67,652
	\$ 3,764,869	\$ 15,792		\$ 3,780,661	\$ 3,702,571	\$ 4,551,357	\$ 4,410,688
<b>Grants</b>							
AB 1058 Commissioner/Facilitator			\$ 324,628	\$ 324,628	\$ 341,666	\$ 331,293	\$ 344,048
Other AOC Grants			\$ 60,568	\$ 60,568	\$ 42,842	\$ 51,190	\$ 55,222
Non-AOC Grants							
			\$ 385,196	\$ 385,196	\$ 384,508	\$ 382,484	\$ 399,270
<b>Other Financing Sources</b>							
Interest Income	\$ 4,857	\$ 5		\$ 4,862	\$ 8,551	\$ 8,551	\$ 8,409
Investment Income							
Local Fees	\$ 175,176			\$ 175,176	\$ 164,958	\$ 164,958	\$ 137,911
Non-Fee Revenues						\$ 2,220	\$ 8,388
Enhanced Collections		\$ 496,880		\$ 496,880	\$ 546,876	\$ 556,714	\$ 473,487
Escheatment							\$ 162
County Program - Restricted		\$ 10,000		\$ 10,000	\$ 10,000	\$ 5,000	
Reimbursement Other	\$ 4,255			\$ 4,255	\$ 4,100	\$ 4,567	\$ 1,617
Other Miscellaneous	\$ 36,913			\$ 36,913	\$ 44,502	\$ 44,502	\$ 63,137
	\$ 221,201	\$ 506,885		\$ 728,086	\$ 778,987	\$ 786,511	\$ 693,111
<b>Total Revenues</b>	<b>\$ 3,986,070</b>	<b>\$ 522,677</b>	<b>\$ 385,196</b>	<b>\$ 4,893,944</b>	<b>\$ 4,866,066</b>	<b>\$ 5,720,352</b>	<b>\$ 5,503,069</b>
<b>EXPENDITURES</b>							
<b>Personal Services</b>							
Salaries - Permanent	\$ 2,651,318	\$ 147,612	\$ 143,411	\$ 2,942,341	\$ 3,147,300	\$ 3,125,174	\$ 3,157,134
Temp Help						\$ 14,331	\$ 39,852
Overtime	\$ 54	\$ 1		\$ 54		\$ 157	\$ 652
Staff Benefits	\$ 917,866	\$ 47,624	\$ 39,075	\$ 1,004,565	\$ 1,043,133	\$ 1,025,582	\$ 1,099,779
	\$ 3,569,238	\$ 195,237	\$ 182,486	\$ 3,946,961	\$ 4,190,433	\$ 4,165,244	\$ 4,297,417
<b>Operating Expenses and Equipment</b>							
General Expense	\$ 115,215	\$ 4,768	\$ 8,358	\$ 128,341	\$ 136,426	\$ 147,510	\$ 154,704
Printing	\$ 3,959	\$ 650		\$ 4,609	\$ 20,477	\$ 20,584	\$ 29,019
Telecommunications	\$ 5,656		\$ 253	\$ 5,910	\$ 6,212	\$ 14,190	\$ 21,200
Postage	\$ 41,455	\$ 16,566	\$ 1,115	\$ 59,136	\$ 69,626	\$ 68,807	\$ 62,114
Insurance	\$ 1,884			\$ 1,884	\$ 2,000	\$ 6,979	\$ 7,000
In-State Travel	\$ 6,449		\$ 2,308	\$ 8,757	\$ 14,544	\$ 15,270	\$ 10,098
Out-of-State Travel							
Training	\$ 483		\$ 985	\$ 1,468	\$ 3,610	\$ 3,013	\$ 3,584
Security Services	\$ 80,431		\$ 13,916	\$ 94,347	\$ 97,338	\$ 96,993	\$ 106,473
Facility Operations	\$ 103,649		\$ 45,811	\$ 149,460	\$ 146,347	\$ 235,495	\$ 231,459
Utilities	\$ 10,266		\$ 10,265	\$ 20,531	\$ 17,260	\$ 17,071	\$ 12,668
Contracted Services	\$ 432,629	\$ 276,442	\$ 136,903	\$ 845,974	\$ 856,809	\$ 852,990	\$ 877,077
Consulting and Professional Services	\$ 36,050			\$ 36,050	\$ 39,953	\$ 36,740	\$ 46,225
Information Technology	\$ 69,997	\$ 3,218	\$ 21	\$ 73,235	\$ 65,572	\$ 128,655	\$ 64,773
Major Equipment	\$ 0			\$ 0		\$ 57,612	
Other Items of Expense	\$ 302			\$ 302		\$ 502	
	\$ 908,425	\$ 301,643	\$ 219,935	\$ 1,430,003	\$ 1,476,174	\$ 1,702,412	\$ 1,626,394
<b>Special Items of Expense</b>							
Grand Jury		\$ 10,000		\$ 10,000	\$ 10,000		
Jury Costs	\$ 20,765			\$ 20,765	\$ 12,956	\$ 12,957	\$ 10,783
Judgements, Settlements and Claims							
Other							
<b>Capital Costs</b>							
Internal Cost Recovery	\$ (36,497)		\$ 36,497	\$ 0	\$ 0	\$ 0	\$ 43,486
Prior Year Expense Adjustment	\$ (229,805)	\$ 229,805		\$ 0		\$ (22,752)	
	\$ (245,538)	\$ 229,805	\$ 36,497	\$ 30,765	\$ 22,956	\$ (9,795)	\$ 54,269
<b>Total Expenditures</b>	<b>\$ 4,232,125</b>	<b>\$ 736,685</b>	<b>\$ 438,919</b>	<b>\$ 5,407,729</b>	<b>\$ 5,689,563</b>	<b>\$ 5,857,861</b>	<b>\$ 5,978,080</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>\$ (246,055)</b>	<b>\$ (214,008)</b>	<b>\$ (53,723)</b>	<b>\$ (513,785)</b>	<b>\$ (823,497)</b>	<b>\$ (137,508)</b>	<b>\$ (475,011)</b>
<b>Operating Transfers In (Out)</b>	<b>\$ (53,723)</b>		<b>\$ 53,723</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Fund Balance (Deficit)</b>							
Beginning Balance (Deficit)	\$ 846,663	\$ 229,805	\$ 0	\$ 1,076,468	\$ 1,076,468	\$ 1,213,977	\$ 1,213,977
Ending Balance (Deficit)	\$ 546,886	\$ 15,797	\$ 0	\$ 562,683	\$ 252,971	\$ 1,076,468	\$ 738,966

Source: Phoenix Financial System

Superior Court of California, County of Yuba  
 Trial Court Operations Fund  
 Statement of Program Expenditures  
 (Unaudited)

	For the Fiscal Year								
	2012-13						2011-12		
	Personal Services	Operating Expenses and Equipment	Special Items of Expense	Internal Cost Recovery	Prior Year Expense Adjustment	Total Actual Expense	Current Budget (Annual)	Total Actual Expense	Final Budget (Annual)
<b>PROGRAM EXPENDITURES:</b>									
Judges & Courtroom Support	\$ 1,062,047	\$ 180,550				\$ 1,242,596	\$ 1,244,075	\$ 1,233,547	\$ 1,311,665
Traffic & Other Infractions	\$ 262,914	\$ 46				\$ 262,961	\$ 325,009	\$ 276,613	\$ 306,794
Other Criminal Cases	\$ 433,991	\$ 232				\$ 434,222	\$ 381,431	\$ 467,977	\$ 503,256
Civil	\$ 158,648	\$ 1,158				\$ 159,805	\$ 171,003	\$ 174,805	\$ 243,145
Family & Children Services	\$ 739,180	\$ 289,974		\$ 36,497		\$ 1,065,651	\$ 1,059,984	\$ 1,047,445	\$ 992,397
Probate, Guardianship & Mental Health Services	\$ 35,309	\$ 45,346				\$ 80,655	\$ 81,356	\$ 85,635	\$ 94,123
Juvenile Dependency Services	\$ 35,352	\$ 195,337				\$ 230,689	\$ 232,705	\$ 225,873	\$ 137,584
Juvenile Delinquency Services	\$ 35,352					\$ 35,352	\$ 37,970	\$ 31,138	\$ 137,585
Other Court Operations	\$ 124,328					\$ 124,328	\$ 197,678	\$ 137,640	\$ 140,881
Court Interpreters	\$ 18,615	\$ 45,422				\$ 64,037	\$ 63,864	\$ 64,288	\$ 69,626
Jury Services	\$ 80,926	\$ 16,206	\$ 20,765			\$ 117,897	\$ 116,622	\$ 115,033	\$ 114,111
Security		\$ 100,235				\$ 100,235	\$ 97,338	\$ 97,337	\$ 106,473
<b>Trial Court Operations Program</b>	<b>\$ 2,986,662</b>	<b>\$ 874,504</b>	<b>\$ 20,765</b>	<b>\$ 36,497</b>		<b>\$ 3,918,428</b>	<b>\$ 4,009,035</b>	<b>\$ 3,957,330</b>	<b>\$ 4,157,640</b>
Enhanced Collections	\$ 233,368	\$ 307,624			\$ 229,805	\$ 770,797	\$ 573,511	\$ 623,909	\$ 568,313
Other Non-Court Operations			\$ 10,000			\$ 10,000	\$ 10,000		
<b>Non-Court Operations Program</b>	<b>\$ 233,368</b>	<b>\$ 307,624</b>	<b>\$ 10,000</b>		<b>\$ 229,805</b>	<b>\$ 780,797</b>	<b>\$ 583,511</b>	<b>\$ 623,909</b>	<b>\$ 568,313</b>
Executive Office	\$ 293,339	\$ 91				\$ 293,430	\$ 383,325	\$ 376,884	\$ 374,902
Fiscal Services	\$ 198,235	\$ 8,591				\$ 206,825	\$ 233,620	\$ 222,823	\$ 223,179
Human Resources	\$ 0	\$ 1,479				\$ 1,479		\$ 5,558	\$ 5,655
Business & Facilities Services	\$ 5,373	\$ 157,584		\$ (36,497)	\$ (229,805)	\$ (103,345)	\$ 134,331	\$ 254,377	\$ 300,220
Information Technology	\$ 229,985	\$ 80,130				\$ 310,114	\$ 345,741	\$ 416,978	\$ 348,171
<b>Court Administration Program</b>	<b>\$ 726,931</b>	<b>\$ 247,875</b>		<b>\$ (36,497)</b>	<b>\$ (229,805)</b>	<b>\$ 708,504</b>	<b>\$ 1,097,017</b>	<b>\$ 1,276,621</b>	<b>\$ 1,252,127</b>
Expenditures Not Distributed or Posted to a Program									
Prior Year Adjustments Not Posted to a Program									
<b>Total</b>	<b>\$ 3,946,961</b>	<b>\$ 1,430,003</b>	<b>\$ 30,765</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,407,729</b>	<b>\$ 5,689,563</b>	<b>\$ 5,857,861</b>	<b>\$ 5,978,080</b>

Source: Phoenix Financial System

## PURPOSE AND SCOPE

The purpose of this review was to determine the extent to which the Superior Court of California, County of Yuba (Court) has:

- Designed and implemented an internal control structure that can be relied upon to ensure the reliability and integrity of information; compliance with policies, procedures, laws and regulations; the safeguarding of assets; and the economical and efficient use of resources.
- Complied with the *Trial Court Financial Policies and Procedures Manual* and the Court's own documented policies and procedures.
- Complied with various statutes and Rules of Court.

The scope of audit work included reviews of the Court's major functional areas, including: cash collections, contracts and procurement, accounts payable, payroll, financial accounting and reporting, information technology, domestic violence, and court security. The depth of audit coverage in each area is based on initial audit scope coverage decisions. Additionally, although we may have reviewed more recent transactions, the period covered by this review consisted primarily of fiscal year 2012–2013.

The Judicial Council in December 2009 adopted California Rules of Court Rule 10.500 with an effective date of January 1, 2010, that provides for public access to non-deliberative or non-adjudicative court records. Final audit reports are among the judicial administrative records that are subject to public access unless an exemption from disclosure is applicable. The exemptions under rule 10.500 (f) include records whose disclosure would compromise the security of a judicial branch entity or the safety of judicial branch personnel. As a result, any information considered confidential or sensitive in nature that would compromise the security of the Court or the safety of judicial branch personnel was omitted from this audit report.

## TIMING AND REVIEWS WITH MANAGEMENT

The entrance letter was issued to the Court on February 4, 2013.

The entrance meeting was held with the Court on February 6, 2013.

Audit fieldwork commenced on February 25, 2013.

Fieldwork was completed in August 2013.

Preliminary results were communicated and discussed with Court management during the course of the review. A preliminary review of the audit results was held on November 14, 2013, with the following:

- Steve Konishi, Court Executive Officer
- Renee Danielson, Court Division Manager
- Terese Johnson, Administrative Fiscal Officer

IAS received the Court's final management responses to the IAS recommendations on November 20, 2013. IAS incorporated the Court's final responses in the audit report and subsequently provided the Court with a draft version of the completed audit report for its review and comment on November 20, 2013. On November 23, 2013, the Court provided its final comments and suggestions concerning its review of the audit report and did not consider another review of the report necessary before IAS issued the final audit report.

## ISSUES AND MANAGEMENT RESPONSES

### 1. Court Administration

#### Background

Trial courts are subject to rules and policies established by the Judicial Council to promote efficiency and uniformity within a system of trial court management. Within the boundaries established by the Judicial Council, each trial court has the authority and is responsible for managing its own operations. All employees are expected to fulfill at least the minimum requirements of their positions and to conduct themselves with honesty, integrity and professionalism. All employees shall also operate within the specific levels of authority that may be established by the trial court for their positions.

California Rules of Court (CRC) and the *Trial Court Financial Policy and Procedures Manual* (FIN Manual) established under Government Code section (GC) 77001 and adopted under CRC 10.804, respectively, specify guidelines and requirements concerning court governance.

The table below presents general ledger account balances from the Superior Court of California, County of Yuba (Court), that are considered associated with court administrative decisions. A description of the areas and how they were reviewed as a part of this audit is contained below.

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2013	2012		
<b>Expenditures</b>				
920502 DUES AND MEMBERSHIP-LEGAL	820.00	800.00	20.00	2.50%
920503 DUES AND MEMBERSHIP-OTHER	502.50	592.50	(90.00)	-15.19%
* <b>920500 - DUES AND MEMBERSHIPS</b>	<b>1,322.50</b>	<b>1,392.50</b>	<b>(70.00)</b>	<b>-5.03%</b>
933101 TRAINING	0.00	398.00	(398.00)	-100.00%
933102 TUITION REIMBURSEMENT (NO	207.73	1,279.90	(1,072.17)	-83.77%
933103 REGISTRATION FEES - TRAIN	1,260.00	1,335.00	(75.00)	-5.62%
* <b>933100 - TRAINING</b>	<b>1,467.73</b>	<b>3,012.90</b>	<b>(1,545.17)</b>	<b>-51.29%</b>

We assessed the Court's compliance related to trial court management, including duties of the presiding judge (PJ), duties of the court executive officer (CEO), and management of human resources, with CRC and FIN Manual requirements through a series of questionnaires and tests. Primary tests included an evaluation of:

- Expense restrictions contained in *Operating Guidelines and Directives for Budget Management in the Judicial Branch* (operating guidelines). Requirements include restrictions on the payment of professional association dues for individuals making over \$100,000 a year.
- Compliance with CRC relating to cases taken under submission.
- Approval requirements regarding training.

Additionally, we obtained an understanding of the Court's organizational structure and reviewed the cash handling and fiscal responsibilities of Court personnel to ensure that duties are sufficiently segregated.

**The following issue is associated with this section and considered significant enough to bring to management's attention in this report.**

### **1.1 The Court Needs to Improve Its Procedures to Ensure that Submitted Causes are Decided Timely**

#### **Background**

To promote a prompt judicial system, statute requires judicial officers to decide on case matters within 90 days after being submitted for a judicial decision, or risk not receiving their salary. Specifically, Government Code Section 68210 states that no judge of a court of record shall receive his salary unless he shall make and subscribe before an officer entitled to administer oaths, an affidavit stating that no cause before him remains pending and undetermined for 90 days after it has been submitted for a decision.

To prevent submitted causes from remaining undecided for over 90 days, California Rules of Court, rule 10.603(c)(3), makes the Presiding Judge (PJ) responsible for supervising and monitoring the number of causes under submission and ensuring that no cause under submission remains undecided and pending for longer than 90 days. As an aid in accomplishing this goal, this rule requires the PJ to take certain actions, including the following:

- Require each judge to report to the PJ all causes under submission for more than 30 days, including each cause under submission for 30 through 60 days, 61 through 90 days, or over 90 days,
- Compile and circulate monthly to each judge of the court a complete list of all causes under submission, including the name of each judge, a list of causes under submission before each judge, and the length of time each cause has been under submission,
- Contact each judge who has a cause under submission for over 30 days and discuss ways to ensure that the cause is timely decided,
- Consider providing assistance to a judge who has a cause under submission for over 60 days.

#### **Issues**

Our review of the Court's causes under submission determined that Court procedures do not consistently ensure that submitted matters are decided within 90 days. Of the 10 cases we selected to review from the Court's Submitted Matters List for the months of March 2012 to February 2013, one judge had four cases with causes under submission that remained pending and undetermined for more than 90 days. For these cases, the judge did not issue a decision on the matters until between 91 to 93 days after the judge took the matters under submission.

Our review of the Court's procedures for tracking and monitoring causes taken under submission found that its process likely contributed to these exceptions. Specifically, although the Court's Submitted Matters List is generated from the case management system (CMS), the list does not provide the length of time the matter has been under submission nor identify those matters which have been under submission for 30 through 60 days, 61 through 90 days, or over 90 days. Instead, court staff must manually calculate and track the number of days a matter is under submission.

As a result, for two of the cases, Court staff provided the judge with incorrect dates for when the matters would be under submission for 90 days. In one case the date was miscalculated by one day because Court staff did not count the extra day in February during a leap year when manually counting the number of days under submission. As a result, a staff email incorrectly informed the judge that the 90th day was March 6th when in fact it was March 5th. The judge did not recalculate the number of days the matter was under submission, but instead relied on the dates provided by Court staff and rendered a decision on March 6th. However, March 6th was the 91st day the matter was under submission, not the 90th day as indicated in the Court staff e-mail to the judge. Similarly, in the other case, Court staff incorrectly informed the judge in an email that the 90th day was June 13th. However, by June 13th the submitted matter would have been pending a decision for 92 days as the 90th day was actually June 11th.

For the two remaining cases, the Court was unable to locate e-mails reminding the judge of the approaching 90th day. Therefore, we could not determine whether the judge exceeded the 90 days due to judge oversight or clerical miscalculation.

### **Recommendations**

To help ensure the Court decides causes under submission within 90 days, the Court should consider the following:

1. Determine if the CMS can be configured to generate a submitted matters report that groups the cases by the age of the cause taken under submission, as required by California Rules of Court, to replace its manual process of calculating the number of days the matters have been under submission. If this is not feasible, the Court should consider using electronic spreadsheet functions or other automated methods to calculate the number of days the matter has been under submission.
2. In addition, the Court should continue to circulate on a monthly basis a complete copy of the submitted list to each judge of the court. Further, if not already being performed as required in California Rules of Court, the PJ should consider contacting and alerting each judge who has a case with a cause under submission for over 30 days and discuss ways to ensure that the cause is timely decided. Also, if a cause on a case remains undecided for more than 60 days, the PJ should consider whether the judge needs any assistance to ensure the cause is decided within 90 days.

**Superior Court Response:** Bonnie Sloan, Court Division Manager      Date: 7/22/13

**Agree.**

**Corrective Action Taken:** The court has developed new written procedures to ensure timely decisions to all matters taken under submission by a bench officer.

1. A report has been created for use by the administrative analyst, to be run monthly, that will list information on all cases under submission in the case management system, to include the case name and number, the judge's name, and date the matter was taken under submission, and report those cases by the following day ranges; 11-29 days, 30-60 days, 61-90 days, and

91+ days. As a back-up procedure, the administrative analyst will use both a manual and automated (case management system) tickler system.

2. Each month, the “under submission” report will be created by the administrative analyst and distributed to the presiding judge (PJ). After the PJ’s review, the PJ will forward the complete report to each judge. The PJ will also contact each judge with a case under submission over 30 days to discuss ways to ensure that the cause is timely decided, and for matters over 60 days, the PJ will discuss ways to provide assistance to ensure the cause can be timely decided, per the California Rules of Court.

**Date of Corrective Action:** July 22, 2013

**Responsible Persons:** Bonnie Sloan, Court Division Manager, Lisa Sparks, Administrative Analyst

## 2. Fiscal Management and Budgets

### Background

Trial courts must employ sound business, financial, and accounting practices to conduct its fiscal operations. To operate within the limitations of the funding approved and appropriated in the State Budget Act, courts should establish budgetary controls to monitor its budget on an ongoing basis to assure that actual expenditures do not exceed budgeted amounts. As personnel services costs account for more than half of many trial courts budgets, courts must establish a position management system that includes, at a minimum, a current and updated position roster, a process for abolishing vacant positions, and a process and procedures for requesting, evaluating, and approving new and reclassified positions.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2013	2012		
<b>Assets</b>				
120050 SHORT TERM INVESTMENTS-LAIF	103,077.74	202,068.70	(98,990.96)	-48.99%
120051 SHORT TERM INVESTMENTS-CAPITAL	213,371.33	254,170.46	(40,799.13)	-16.05%
<b>Liabilities – Payroll</b>				
374001 PAYROLL CLEARING ACCOUNT-LI	295,682.90	0.00	295,682.90	100.00%
<b>Expenditures – Payroll</b>				
* 900300 - SALARIES - PERMANENT	2,942,341.49	3,125,173.80	(182,832.31)	-5.85%
* 903300 - TEMP HELP	0.00	14,330.60	(14,330.60)	-100.00%
* 908300 - OVERTIME	54.27	156.84	(102.57)	-65.40%
** SALARIES TOTAL	2,942,395.76	3,139,661.24	(197,265.48)	-6.28%
910302 MEDICARE TAX	40,333.08	43,146.56	(2,813.48)	-6.52%
* 910300 - TAX	40,333.08	43,146.56	(2,813.48)	-6.52%
* 910400 - HEALTH INSURANCE	495,992.93	481,503.82	14,489.11	3.01%
* 910600 - RETIREMENT	410,507.36	426,879.49	(16,372.13)	-3.84%
* 912500 - WORKERS' COMPENSATION	39,054.00	54,144.00	(15,090.00)	-27.87%
913301 UNEMPLOYMENT INSURANCE	14,234.13	15,242.41	(1,008.28)	-6.61%
913501 LIFE INSURANCE	2,412.85	2,544.19	(131.34)	-5.16%
913699 OTHER INSURANCE	2,030.80	0.00	2,030.80	100.00%
* 912700 - OTHER INSURANCE	18,677.78	17,786.60	891.18	5.01%
* 913800 - OTHER BENEFITS	(0.12)	2,121.80	(2,121.92)	-100.01%
** STAFF BENEFITS TOTAL	1,004,565.03	1,025,582.27	(21,017.24)	-2.05%
*** PERSONAL SERVICES TOTAL	3,946,960.79	4,165,243.51	(218,282.72)	-5.24%

We assessed the Court's budgetary controls by obtaining an understanding of how the Court's annual budget is approved and monitored, reviewing its approved budget, and comparing budgeted and actual amounts. In regards to personnel services costs, we compared budgeted and actual expenditures, and performed a trend analysis of prior year personnel services expenditures to identify and determine the causes of significant variances.

We also evaluated the Court's payroll controls through interviews with Court employees and review of payroll reports and reconciliation documents. We validated payroll expenditures for a sample of employees to supporting documentation, including timesheets, payroll registers, withholding documents, and benefits administration files to determine whether timesheets were appropriately approved and payroll was correctly calculated. Furthermore, we reviewed the Court's Personnel Manual and bargaining agreements at a high level to determine whether

differential pay, leave accruals, and various benefits were issued in accordance with these agreements.

**There were no significant issues associated with this section to report to management. Minor issues are contained in Appendix A to this report.**

### 3. Fund Accounting

#### Background

Trial courts must account for their receipt and use of public funds using the fund accounting and reporting standards published by the Government Accounting Standards Board. To assist courts in meeting this objective, the FIN Manual provides guidelines for courts to follow. FIN 3.01, 3.0, requires trial courts to establish and maintain separate funds to segregate their financial resources and allow for the detailed accounting and accurate reporting of the courts' financial operations. FIN 3.01, 6.1.1 defines a "fund" as a complete set of accounting records designed to segregate various financial resources and maintain separate accountability for resources designated for specific uses, so as to ensure that public monies are only spent for approved and legitimate purposes. A set of governmental, fiduciary, and proprietary funds have been set up in the Phoenix Financial System to serve this purpose. Furthermore, the Judicial Council has approved a policy to ensure that courts are able to identify resources to meet statutory and contractual obligations, maintain a minimum level of operating and emergency funds, and to provide uniform standards for fund balance reporting.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2013	2012		
<b>Fund Balances</b>				
535001 RESERVE FOR ENCUMBRANCES	7,459.88	3,600.00	3,859.88	107.22%
552001 FUND BALANCE - RESTRICTED	316,303.00	500,466.02	(184,163.02)	-36.80%
552002 FUND BALANCE - COMMITTED	308,506.02	356,044.00	(47,537.98)	-13.35%
553001 FUND BALANCE - ASSIGNED	451,659.18	357,466.67	94,192.51	26.35%
615001 ENCUMBRANCES	(7,459.88)	(3,600.00)	(3,859.88)	-107.22%
<b>*** Fund Balances</b>	<b>1,076,468.20</b>	<b>1,213,976.69</b>	<b>(137,508.49)</b>	<b>-11.33%</b>
<b>Revenues</b>				
837010 BLOCK IMPROVEMENT FUND RE	0.00	12,090.00	(12,090.00)	-100.00%
837011 TRIAL COURT IMPROVEMENT A	12,348.00	0.00	12,348.00	100.00%
<b>** 837000-IMPROVEMENT FUND - REIMBUR</b>	<b>12,348.00</b>	<b>12,090.00</b>	<b>258.00</b>	<b>2.13%</b>
841012 GRAND JURY	10,000.00	0.00	10,000.00	100.00%
841015 OTHER COUNTY SERVICES	0.00	5,000.00	(5,000.00)	-100.00%
<b>** 840000-COUNTY PROGRAM - RESTRICTE</b>	<b>10,000.00</b>	<b>5,000.00</b>	<b>5,000.00</b>	<b>100.00%</b>
<b>Expenditures</b>				
<b>*** 701100 OPERATING TRANSFERS IN</b>	<b>194,802.83</b>	<b>53,199.24</b>	<b>141,603.59</b>	<b>266.18%</b>

To determine whether the Court is properly accounting for its financial resources and expenditures in separate funds, we reviewed the trial balance of the Court's general fund and grant funds and certain detailed transactions, if necessary.

We also reviewed the Court's fiscal year-end fund balance reserves to determine whether they conform to the Judicial Council approved policy and are supported by the Court's financial statements.

**An issues associated with this section that is considered significant enough to bring to management's attention is reported in the Accounting Principles and Practices section of this report.**

#### 4. Accounting Principles and Practices

##### Background

Trial courts must accurately account for use of public funds, and demonstrate their accountability by producing financial reports that are understandable, reliable, relevant, timely, consistent, and comparable. To assist courts in meeting these objectives, the FIN Manual provides uniform accounting guidelines for trial courts to follow when recording revenues and expenditures associated with court operations. Trial courts use these accounting guidelines and are required to prepare various financial reports and submit them to the AOC, as well as preparing and disseminating internal reports for monitoring purposes.

Since migrating onto the Phoenix Financial System, the Court receives, among other things, general ledger accounting, analysis, and reporting support services from the Trial Court Administrative Services Division (TCAS). Some of the benefits of the Phoenix Financial System are consistent application of FIN Manual accounting guidelines, and the ability to produce quarterly financial statements and other financial reports directly from the general ledger. Since much of the accounting procedures have been centralized with TCAS, we kept our review of the Court's individual financial statements at a high level.

The Court receives various federal and state grants passed through to it from the AOC. Restrictions on the use of these funds and other requirements are documented in the grant agreements. The grants received by the Court are reimbursement type agreements that require it to document its costs to receive payment. The Court must separately account for financing sources and expenditures for each grant. As a part of the annual single audit of the State of California performed by the California State Auditor, the AOC requests courts to list and report the federal grant awards they received.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed during this audit is contained below.

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2013	2012		
<b>Assets</b>				
130001 A/R-ACCRUED REVENUE	118.54	716.13	(597.59)	-83.45%
131601 A/R - DUE FROM EMPLOYEE	36.06	605.86	(569.80)	-94.05%
134001 A/R - CIVIL JURY FEES	1,546.20	263,715.30	(262,169.10)	-99.41%
140014 GENERAL-DUE FROM SPECIAL	155,310.00	359,308.85	(203,998.85)	-56.78%
150001 A/R - DUE FROM OTHER GOVERNMENT	5,000.00	0.00	5,000.00	100.00%
152000 A/R-DUE FROM STATE	244,513.21	0.00	244,513.21	100.00%
<b>** Receivables</b>	<b>406,524.01</b>	<b>624,346.14</b>	<b>(217,822.13)</b>	<b>-34.89%</b>

**Revenues**

** 812100-TCTF - PGM 10 OPERATIONS	3,315,598.00	4,139,011.07	(823,413.07)	-19.89%
** 816000-OTHER STATE RECEIPTS	146,093.00	67,652.00	78,441.00	115.95%
** 821000-LOCAL FEES REVENUE	175,176.04	164,958.22	10,217.82	6.19%
** 821200-ENHANCED COLLECTIONS - REV	496,879.71	556,713.56	(59,833.85)	-10.75%
** 822000-LOCAL NON-FEES REVENUE	0.00	2,220.00	(2,220.00)	-100.00%
** 823000-OTHER - REVENUE	36,913.43	44,501.73	(7,588.30)	-17.05%
** 825000-INTEREST INCOME	4,861.85	8,550.65	(3,688.80)	-43.14%
** 831000-GENERAL FUND - MOU/REIMBUR	4,325.00	6,990.00	(2,665.00)	-38.13%
** 832000-PROGRAM 45.10 - MOU/REIMBU	255,592.00	265,132.00	(9,540.00)	-3.60%
** 834000-PROGRAM 45.45 - REIMBURSEM	46,705.12	60,482.00	(13,776.88)	-22.78%
** 838000-AOC GRANTS - REIMBURSEMENT	385,196.32	382,483.53	2,712.79	0.71%
** 860000-REIMBURSEMENTS - OTHER	4,255.20	4,567.28	(312.08)	-6.83%

**Expenditures**

* 999900 -PRIOR YEAR EXPENSE ADJUST	0.00	(22,751.73)	22,751.73	100.00%
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We compared year-end general ledger account balances between the prior two fiscal year trial balances and reviewed accounts with material balances that experienced significant variances from year-to-year. We also assessed the Court's procedures for processing and accounting trust deposits, disbursements, and refunds to determine whether it is adequate controls over trust funds. Additionally, we reviewed various FY 2011–2012 encumbrances, adjusting entries, and accrual entries for compliance with the FIN Manual and other relevant guidance.

**The following issue is associated with this section and was considered significant enough to bring to management's attention.**

#### **4.1 The Court Needs to Improve Its Accounting and Reporting of Financial Transactions**

##### **Background**

Internal and external users of court financial information depend on reliable court financial data and reports to obtain the information they need to evaluate court finances. Accordingly, FIN Manual, Policy No., FIN 5.01, establishes uniform guidelines and accounting principles for courts to follow when gathering, summarizing, and reporting accounting information associated with the fiscal operations of each court. This policy requires courts to comply with the basic principles of accounting and financial reporting that apply to government units. It also requires that courts execute and account for financial transactions in conformity with generally accepted accounting principles and legal requirements.

##### **Issues**

To determine whether the Court properly classified, recorded, and reported its financial transactions, we reviewed its general ledger (GL) account balances and its accounting treatment of a limited number of financial transactions that we selected to review during the audit. Our review determined that the Court does not always properly account for and report its financial transactions. Specifically, we noted the following:

1. Our review of the Court's GL account balances revealed that it does not follow prescribed financial accounting requirements. For example, in its June 30, 2013, financial statements, we noted the Court made general accounting and reporting errors for the monies held in accounts that were outside of the AOC Treasury. Specifically, the Court misclassified in its

accounting system monies held by the county Treasurer's Office or in outside bank accounts, therefore, it inappropriately reported these monies in the Court's financial statements as follows:

- a. The Court entered in its accounting system and reported in a trust fund the daily fines, fees, and assessments that it collected and deposited in county Fund 242, totaling \$149,077. However, these monies are not trust monies that the Court receives and holds in trust. Instead, these monies are collections that the Court passes through to the county for distribution. Therefore, these collections monies are more appropriately recorded and reported in an agency fund.
- b. Similarly, the Court reported in a trust fund the Microfiche revenues it deposited in county Fund 243, totaling \$20,337. However, similar to the collections monies above, these monies are also not trust monies. Instead, these monies were restricted by statute for a specific purpose and are more appropriately recorded in a special revenue fund.
- c. The Court also reported in a trust fund the warrant fee revenue in county Fund 269, totaling \$83,401. However, these warrant fee revenues are county monies; therefore, these monies are more appropriately reported by the county in its financial statements, not the Court financial statements.
- d. Further, the Court reported in a trust fund the 10 percent restitution rebate monies in county Fund 359, totaling \$128,809. Statute allows the collection of these rebate monies to help fund the enhanced collection efforts for the Victim Restitution Fund. According to the Court collections memorandum of understanding with the county, the Court is to use this money for its efforts in collecting victim restitution. However, because these monies are restricted for a specific purpose, these monies are more appropriately reported in a special revenue fund. The associated fund balance would also be reported as restricted since the use of these funds is constrained by statute and by a contractual agreement with the county.
- e. According to the Court, it deposited monies related to sanctions ordered against attorneys in county Fund 389, totaling \$151,889, and recorded these monies in its accounting system in a trust fund. However, most sanctions are ordered under the authority granted by Code of Civil Procedure 177.5 and should be distributed to the State in accordance with guidance issued by the State Controller's Office. Therefore, these sanction monies are more appropriately recorded and reported in an agency fund and distributed monthly to the State, rather than held in a trust fund.
- f. The Court also did not report in its financial statements \$120,948 in enhanced collections monies that it holds in a bank account outside of the AOC treasury. These unreported monies equal 6.5 percent of its reported June 30, 2013, assets and are more appropriately reported in an agency fund.

2. The Court did not prepare a detailed reconciliation of county Fund 103 to its respective general ledger account. Specifically, the Court's reconciliation documents do not demonstrate accountability of total activity within the Court general ledger and the county ledger for a given period with a listing of reconciling items that explain the differences. Since the Court reconciliation process is not thorough, the risk is higher that errors may occur and not be caught in a timely manner, resulting in accounts that no longer balance. For example, when we prepared a reconciliation of cash with the county against the Court's general ledger account, we identified \$370.14 that remained un-reconciled as of June 30, 2012, and also as of June 30, 2013. Thus, a detailed reconciliation serves as a vital cross-walk document between actual assets in the county treasury and Court reported assets, and is a key accounting record that helps support the accuracy of Court reported assets within the accounting system.

### **Recommendations**

To ensure it properly classifies, records, and reports its financial transactions, the Court should consider the following:

1. Seek and provide training to accounting staff on the proper classification and recording of monies in the various funds and GL accounts. In addition, it should ensure appropriate-level oversight of the accounting functions by a supervisor or manager knowledgeable in the proper classification and recording of transactions to the appropriate funds and GL accounts.
2. Assign responsibility and establish a process for reconciling the transactions in all fund and bank accounts at least monthly. Also, establish an internal review process to ensure the reconciliations are performed monthly and kept current. Further, the detailed reconciliations should bear the date and signatures of the preparer and of the reviewing fiscal officer.

Alternatively, the Court may consider transferring its county funds and outside bank accounts to bank accounts established by the Administrative Office of the Courts. This way, the Trial Court Administrative Services staff can assist the Court with its account reconciliation functions.

**Superior Court Response:** Terese Johnson, Administrative Fiscal Officer Date: 11/4/2013

#### **1. Agree.**

#### **Corrective Action Taken:**

- a. In the future, these distribution funds will be recorded and reported in an agency fund. The court is in discussions with the AOC Phoenix group to transfer this account to an AOC agency fund account. This account's reconciliation is current.

The court will assign the responsibility for the balancing all accounts to a designated person with an internal review process assigned to a qualified supervisor or manager. The court will provide comprehensive training to the accounting staff to ensure their qualifications to perform the duties required under FIN 2.01 and FIN 5.01.

- b. In the future, the microfiche automation funds will be recorded and reported in a special revenue fund. The court is in discussions with the AOC Phoenix group to transfer this account to an AOC special revenue fund account. This account's reconciliation is current.
- c. The automated warrant account is currently under review to determine what, if any, court funds may have been transferred into the account. Upon determination of the proper fund balance, the court will transfer related documentation and records to the county for their future care and control of the account.
- d. In the future, the 10% victim restitution rebate account will be recorded and reported as a restricted, special revenue fund. The court is in discussions with the AOC Phoenix group to transfer this account from the county treasury to an AOC restricted, special revenue account. This account's reconciliation is current. The court will also review its contractual agreement with the county regarding the collection of victim restitution.
- e. In the future, sanction funds will be recorded and reported in an agency fund to be distributed to the SCO monthly. The court is in discussions with the AOC Phoenix group to transfer this sanction account from the county treasury to an AOC agency fund account. This transfer will also enable the court to access account information and complete the reconciliation process.
- f. In the future, the court will record and report the enhanced collection funds in an agency fund. The court is in discussions with the AOC Phoenix group to transfer this account to an AOC agency fund account. This account is currently balanced by the Shasta Superior Court Collections agency.

**Date of Corrective Action Taken:** May 1, 2014

**Responsible Persons:** Terese Johnson, Administrative Fiscal Officer; Renee Danielson, Court Division Manager; H. Stephen Konishi, Court Executive Officer

**2. Agree.**

**Corrective Action Taken:** The court will review its account reconciliation process as well as an internal review process. The court will seek assistance for training to accounting staff as to proper reconciliation procedures.

**Date of Corrective Action Taken:** May 1, 2014

**Responsible Persons:** Terese Johnson, Administrative Fiscal Officer; H. Stephen Konishi, Court Executive Officer

## 5. Cash Collections

### Background

Trial courts must collect and process revenue in a manner that protects the integrity of the court and its employees and promotes public confidence. Thus, trial courts should institute procedures and internal controls that assure safe and secure collection, and accurate accounting of all payments. The FIN Manual, FIN 10.02, provides uniform guidelines for trial courts to use in receiving and accounting for payments from the public in the form of fees, fines, forfeitures, restitutions, penalties, and assessments resulting from court orders. Additionally, FIN 10.01 provides uniform guidelines regarding the collection, processing, and reporting of these amounts.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2013	2012		
<b>Cash</b>				
100000 POOLED CASH	80,468.04	44,032.42	36,435.62	82.75%
100025 DISB CHECK-OPERATIONS	(56,317.46)	(113,811.10)	57,493.64	50.52%
100027 DISB OUTGOING EFT	(225.00)	0.00	(225.00)	-100.00%
119001 CASH ON HAND - CHANGE FUND	350.00	350.00	0.00	0.00%
120001 CASH WITH COUNTY	1,088,740.24	791,877.31	296,862.93	37.49%
<b>Shortages</b>				
952599 CASHIER SHORTAGES	301.80	502.00	(200.20)	-39.88%

We visited all court locations with cash handling responsibilities. At each of these locations, we assessed various cash handling controls and practices through observations and interviews with Court operations managers and staff. Specific controls and practices reviewed include, but are not limited to, the following:

- Beginning-of-day opening.
- End-of-day closeout, balancing, and reconciliation.
- Bank deposit preparation.
- Segregation of cash handling duties.
- Access to safe, keys, and other court assets.
- Physical and logical security of cashiering areas and information systems.

We also reviewed selected monetary and non-monetary system transactions, and validated these transactions to supporting receipts, case files, and other documentation. In addition, we assessed controls over manual receipts to determine whether adequate physical controls existed, numerical reconciliation was periodically performed, and other requisite controls were being followed.

Further, we reviewed the Court's comprehensive collections program for compliance with applicable statutory requirements to ensure that delinquent accounts are monitored and timely referred to its collections agency, and that collections are timely posted and reconciled.

**The following issues are associated with this section and considered significant enough to bring to management's attention. Additional minor issues are contained in Appendix A to this report.**

## **5.1 The Court Could Strengthen Some of Its Cash Handling Procedures**

### **Background**

To protect the integrity of the court and its employees and to promote public confidence, the FIN Manual, Policy No. FIN 10.02, provides courts with uniform guidelines for receiving and accounting for payments from the public. This policy requires courts to institute procedures and internal controls that assure the safe, secure collection, and accurate accounting of all payments. For example, FIN 10.02, 6.1.1, states that the preferred method for securing change funds, unprocessed payments, or other valuable documents is to house them in a safe or vault. During the day, collections shall be secured in a lockable cash drawer. Procedures that courts must follow include distributing safe combinations to as few persons as possible and requiring court employees to memorize the combination and not keep it in legible form. Courts should change the combination when known to an excessive number of court employees, employees who know the combination leave court employment, court employees no longer require knowledge of the combination to perform their duties, or on a periodic basis defined by the court.

Also, FIN 10.02, 6.3.1, states, in part, that courts may establish a change fund in each location that collects payments to provide cashiers currency and coin necessary to make change in the day-to-day cash collection operations of the court. The Court Executive Officer (CEO) or his or her designee must appoint a custodian for each change fund exceeding \$500 at each court location. The change fund custodian must have no other cash handling responsibilities. Also, a court must not establish a change fund in excess of \$100 unless it has a safe, vault or cash box that is adequate to safeguard the cash. Further, at the end of the business day, the change fund custodian, in the presence of a manager or supervisor, must verify that the change fund reconciles to that day's beginning balance.

In addition, FIN 10.02, 6.3.8, requires supervisory court staff to review and approve void transactions. Specifically, when notified by a cashier, the supervisor is responsible for reviewing and approving the void transaction. All void receipts should be retained, not destroyed.

FIN 10.02, 6.3.9, also states that in case the automated accounting system fails, the supervisor or designated employee will issue books of pre-numbered receipts and the cashier will issue customers a handwritten receipt. The supervisor issuing the receipt books will monitor and maintain an accounting of the receipt books, including receipt books issued and to whom, date issued, person returning the receipt book(s), the receipts used within each receipt book, and the date the receipt books are returned. Handwritten receipt transactions must be processed as soon as possible after the automated system is restored.

Finally, the FIN Manual, Policy No. FIN 1.01, 6.4 (4), requires courts to document and obtain AOC approval of their alternative procedures if court procedures differ from the procedures in

the FIN Manual. The paragraph further states that alternative procedures not approved by the AOC will not be considered valid for audit purposes.

### **Issue**

Our review of the Court's cash handling practices and associated documents found that the Court could follow more consistent cash handling and accounting practices and could strengthen its procedures in the following areas:

1. **Change Fund** – Although there is a designated change fund custodian, access to the change fund is not limited to the change fund custodian and the designated back-up. Instead, in the absence of the change fund custodian, change can be made by two division managers, three senior clerks, the administrative fiscal officer, and the fiscal analyst. Also, the change fund is not always secured in the safe during the day. Specifically, it was stored in a secure closet where the safe is located. However, at the time of our review, it was not locked in the safe during the day. Further, contrary to the FIN Manual requirements, the designated change fund custodian also performs other cash handling duties, such as preparation of the daily deposit.
2. **Void Transactions** – The Court did not always follow its procedures for documenting void transactions and could not demonstrate that a supervisor consistently reviewed and approved the void transactions. Specifically, Court procedures require a responsible senior staff member or a manager to review and approve void transactions. In addition, the clerk and senior clerk or manager are required to draw a line across, write "void", and initial the face of the original receipt that was voided. The clerk is to submit the original and void receipts with the end-of-day closeout documents. However, for eight of the 10 void transactions we reviewed, the original and void receipts were not consistently attached to the end-of-day daily closeout report. Moreover, when the original and void receipts were attached, they did not have supervisor initials and dates to demonstrate that the Court performed the required supervisory review and approval of the void transactions.

Further, for two of the eight void transactions we reviewed, Court staff did not preserve the shortage documentation associated with the two void transactions. As a result, an audit trail for the shortages was not available to confirm the propriety of the void transactions that were entered after the closeout process. Specifically, although the closeout documentation on file indicated that the clerk's end-of-day collections balanced to the collections recorded in the CMS, a closer review of the daily closeout documentation revealed that the collections were initially short at the end of the day. The Cashier "End of Day Log" notes that the clerk was \$100-short cash, which the fiscal analyst later crossed out and wrote "Found." However, based on the two void transactions entered the next day indicating the reason for voiding the original transactions as the "wrong account," the clerk was short \$110, not the \$100 indicated on the note. One void transaction was for a \$60 check that was entered as \$120 and the other void transaction was for a \$50 cash transaction entered as \$100. Accordingly, the clerk's collections should have been short \$110, \$60 in check payments and \$50 in cash, not the \$100 recorded on the note.

According to the fiscal analyst, she did not recall the specifics of the incident, but remembered that it was not a case of lost physical cash, but instead of clerical errors in how the payments were entered into CMS. When a clerk is over or short at the end of the day, an over/short slip is typically completed and retained in the daily receipts file and the clerk's "drop file." However, our review of both the daily receipts file and the clerk's drop file did not find any documents indicating that the clerk was short checks or cash that day. As a result, we could not confirm the propriety of the void transactions.

3. Handwritten Receipts – Although the Court has a process in place to maintain an accounting of the receipt books, court staff do not always complete all the information required on the Handwritten Receipt Book Log (log). Specifically, only one of the 16 entries on the receipt log was initialed by a supervisor to demonstrate authorizing the issuance of the receipt book. In addition, for all 16 log entries, a corresponding CMS receipt number was not recorded to indicate the handwritten receipt was subsequently entered into the CMS. Also, the receipt numbers recorded as used indicate the handwritten receipts were not used in sequential order. Further, information such as the time the handwritten receipt book was checked out and in was not completed and in one instance the receipt number used was not consistently recorded on the log.

### **Recommendations**

To ensure the safe and secure collection and accurate accounting of all payments, the Court should consider strengthening its procedures over cash handling operations as follows:

1. Ensure that the designated change fund custodian is not assigned responsibility for performing other cash handling duties. Also, limit access to the change fund to the designated change fund custodian and the backup. Further, ensure that the change fund is secured in the safe when not being used to make change.
2. Remind lead and supervisory staff to initial and date all voided original receipts to demonstrate their review and approval of the void transaction. Also, during the daily closeout review process, supervisory staff should ensure that clerks submit the original and void receipts with the closeout documentation, that an authorized lead or supervisor reviewed and approved all void transactions, and that all void receipts are retained on file for future reference. In addition, supervisory staff should ensure all closeout documents, including short/over slips, are retained on file for future reference.
3. Ensure that cashiers complete the Handwritten Receipt Book Log with all relevant information. In addition, supervisory staff should periodically review the handwritten receipt book to ensure that cashiers promptly entered all handwritten receipts in the CMS as soon as the system is restored. The supervisory staff should also ensure the CMS receipt number is recorded or attached to the corresponding handwritten receipt, and initial or sign the log to indicate they reviewed and verified that the payment was promptly entered in the CMS.
4. Prepare alternative procedure requests and submit them to the AOC for approval if the Court cannot implement the FIN Manual procedures and process payments as recommended. The requests should identify the FIN Manual procedures the Court cannot implement, the reasons

why it cannot implement the procedures, a description of its alternate procedure, and the controls it proposes to implement to mitigate the risks associated with not implementing the associated FIN Manual procedures.

**Superior Court Response:** Renee Danielson, Court Division Manager Date: 7/22/2013

**1. Agree.**

**Corrective Action Taken:** The change fund has been reduced from \$850.00 to \$490.00. Six (6) cashier bags (drawers) have been increased from \$50.00 to \$110.00, therefore reducing the former need for a larger amount of change on hand. The locking change fund bag will remain in possession of the Change Fund Custodian during the workday and will be reconciled daily with another manager and locked in the safe within the secured safe room at night.

The former Change Fund Custodian was the Court Division Manager who prepares the daily collections deposits. The new Change Fund Custodian will be the Criminal Division Senior Clerk and the back-up is the Jury Court Clerk III, neither of which have any other cash-handling responsibilities. This change of personnel will satisfy the segregation of duties as required by the FIN Manual, Policy No. FIN 10.02., 6.3.1, 5a.

**Date of Corrective Action:** September 1, 2013

**Responsible Person:** Renee Danielson, Court Division Manager

**2. Agree.**

**Corrective Action Taken:** Training has been completed with staff and supervisors to ensure that all void transactions will be approved by a senior clerk or manager at the time of the transaction. At the time of the voided transaction, a senior clerk or manager will initial and draw a line through the voided transaction on the receipt tape.

During the closeout review of the daily collections, the supervisor will ensure that all voided receipts are attached to the balance till report, as well as any overage or shortage slips. All voided transactions will also be reviewed by the employee that prepares the bank deposit for the daily collections.

All daily till closeout documents, including shortage/overage slips, will be retained for future reference, even when and if the shortage/overage error is determined and subsequently corrected. Likewise, the corresponding general ledger account will be credited/debited daily for overages or shortages, with a correcting general ledger credit or debit subsequently entered if the error should be found the next day or later, to preserve an appropriate audit trail.

**Date of Corrective Action:** July 15, 2013

**Responsible Persons:** Renee Danielson/Sheila Roberts, Court Division Managers

**3. Agree.**

**Corrective Action Taken:** Training has been completed with staff and supervisors regarding the appropriate location of the receipt book, as well as the proper entries to make on the Handwritten-Receipt Book Log. A written policy has been created and distributed to staff with cash drawer assignments.

The receipt book, and Handwritten-Receipt Book Log, is now kept inside the safe when not in active use. Upon issuance of the receipt book, the receipts will be used sequentially. A Handwritten-Receipt Book Log has been created that properly identifies the receipt number, time of book issuance and return, and is initialed by the supervisor. The subsequent and corresponding CMS receipt number will also be noted on the Handwritten-Receipt Book Log. Compliance will be checked during the month-end accounting process each month.

**Date of Corrective Action:** July 15, 2013

**Responsible Persons:** Sheila Roberts/Renee Danielson, Court Division Managers

## **5.2 The Court Does Not Ensure That the Collection Efforts It Performs for the County Are Cost Effective to the Court**

### **Background**

Penal Code section 1463.010(a) requires the Judicial Council to adopt guidelines for a comprehensive program concerning the collection of monies owed for fees, fines, forfeitures, penalties, and assessments imposed by court order. In addition, as part of its guidelines, the Judicial Council may establish standard agreements for entities to provide collection services. Section (b) requires courts and counties to maintain the collection program that was in place on January 1, 1996, unless otherwise agreed to in writing by the court and county. The program may be in whole or in part staffed and operated in the court itself, in the county, or contracted with a third party. Also, in carrying out its collection program, each superior court and county is required to develop a cooperative plan to implement the Judicial Council guidelines. Section (c) requires the Judicial Council to develop performance measures and benchmarks to review the effectiveness of the cooperative superior court and county collection programs operating pursuant to this section. Further it requires each superior court and county to jointly report to the Judicial Council information requested in a reporting template on an annual basis.

The standards by which a court or county may recover the costs of operating a comprehensive collection program are provided in Penal Code section 1463.007. Costs may be recovered from the collection of delinquent court-ordered fees, fines, forfeitures, penalties, and assessments before revenues are distributed to another government entity. A comprehensive collection program must meet the following requirements:

1. Be a separate and distinct revenue collection activity that identifies total collections received from qualifying accounts and their related operating costs;
2. Satisfy at least 10 of the 17 collection activity components identified in Penal Code section 1463.007.

### **Issues**

Our review determined that the Court established an in-house comprehensive collections program, and uses the services of a third-party collection agency for hard-to-collect accounts. However, the Court also provides collection services to the County for other matters, such as

probation services, juvenile hall costs, county parking citations, juvenile traffic citations, indigent defense claims submitted on behalf of court-appointed conflict attorneys, reimbursement for jail medical costs, and victim restitution. Since the County is responsible for these other collection efforts, the associated cost of collections are not California Rule of Court, rule 10.810 allowable court operations costs. Therefore, the County agreed to provide the Court with the 10 percent incentive monies collected for the Restitution Fund to fund the County's collection efforts. However, according to statute, these incentive monies are to be used to supplement the budget for the county agencies responsible for collecting the funds owed to the Restitution fund, but it is not to be used to supplant the county funding.

To ensure the Court is not using court operations funds, the 10 percent incentive monies, or comprehensive collections program monies to operate some of the other County collections programs, we asked the Court whether it conducted a cost-benefit analysis to determine whether these other collection efforts were cost effective to the Court. According to the Court, it did not conduct a cost-benefit analysis prior to entering into the memorandum of understanding with the County. We also requested the Court to provide documentation to support the revenue recovery and costs associated with performing these collection services for the County to determine whether the Court is fully recovering its costs. However, the Court was unable to provide the requested documentation. As a result, the Court could not demonstrate that the costs of the collection efforts it performs on behalf of the County are fully recovered and that court operations monies were not used to pay for any County collections program.

### **Recommendations**

To ensure its County collections program is operating in the most cost effective and efficient manner, the Court should consider the following:

1. Implement a process to separately track the cost of its collection efforts and the associated cost recovery for each of its collections programs to ensure it does not inadvertently use monies intended for specific purposes to support programs and activities that are a County responsibility.
2. Conduct a cost-benefit analysis to determine whether the collection efforts it performs for the County are cost beneficial to the Court. If the Court determines that these collection efforts are not cost effective, it should consider discontinuing the provision of these services to the County.

**Superior Court Response:** Sheila Roberts, Court Division Manager Date: 11/8/2013  
**Agree.**

**Corrective Action Taken:** A cost benefit analysis was not completed prior to entering into an MOU with the county for providing county collections services. The court will review the current MOU, California Rules of Court 10.810, Penal Code 1463.007, and associated collections costs to determine if continuing county collection services are appropriate or warranted.

**Date of Corrective Action:** April 1, 2014

**Responsible Persons:** Sheila Roberts, Court Division Manager; H. Stephen Konishi, Court Executive Officer

## 6. Information Systems

### Background

Courts make wide use of information technology (IT) to support their court operations. For example, courts use IT services to operate and maintain automated case management systems, accounting systems, and local area networks. Because these information systems are integral to daily court operations, courts must maintain and protect these systems from interruptions and must have plans for system recovery should it experience an unexpected system mishap.

Additionally, because courts maintain sensitive and confidential information in these systems, courts must also take steps to control and prevent unauthorized access to these systems and the information contained in them.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2013	2012		
<b>Expenditures</b>				
* 943200 - IT MAINTENANCE	37,478.61	90,623.14	(53,144.53)	-58.64%
943501 IT REPAIRS & SUPPLIES	2,666.88	3,768.54	(1,101.66)	-29.23%
943502 IT SOFTWARE & LICENSING FEES	24,855.67	22,039.22	2,816.45	12.78%
943505 SERVER SOFTWARE	8,233.76	12,223.93	(3,990.17)	-32.64%
* 943500 - IT REPAIRS/SUPPLIES/LICE	35,756.31	38,031.69	(2,275.38)	-5.98%
** INFORMATION TECHNOLOGY (IT) TOTAL	73,234.92	128,654.83	(55,419.91)	-43.08%
946601 MAJOR EQUIPMENT - IT	-	35,025.20	(35,025.20)	-100.00%

We reviewed various IS controls through interviews with Court management, observation of IS storage facilities and equipment, and review of documents. Some of the primary reviews and tests conducted include:

- Systems backup and data storage procedures.
- Continuity and recovery procedures in case of natural disasters and other disruptions to Court operations.
- Logical access controls, such as controls over user accounts and passwords.
- Physical security controls, such as controls over access to computer rooms and the physical conditions of the computer rooms.
- Controls over Court staff access to Department of Motor Vehicles (DMV) records.
- Automated calculation and distribution of fees, fines, penalties, and assessments for a sample of criminal and traffic convictions.

**The following issue is associated with this section and considered significant enough to bring to management's attention. Additional minor issues are contained in Appendix A to this report.**

## 6.1 The Court Did Not Distribute Certain Collections in Accordance with Statutes and Guidelines

### Background

State statutes and local ordinances govern the distribution of the fees, fines, penalties, and other assessments that courts collect. Courts rely on the *Manual of Accounting and Audit Guidelines for Trial Courts – Appendix C* issued by the State Controller’s Office (SCO Appendix C) and the *Uniform Bail and Penalty Schedule (UB&PS)* issued by the Judicial Council to calculate and distribute these court collections to the appropriate State and local funds. Courts use either an automated system, manual process, or a combination of both to perform the often complex calculations and distributions required by law.

### Issues

The Court uses JALAN as its criminal and traffic case management system. JALAN is capable of both base-up and top-down distribution methodologies and automatically performs all necessary distribution calculations without the need for manual intervention. Specifically, the Court manually calculates the distribution percentages for various case types and scenarios and enters these percentages into JALAN financial code tables. JALAN then uses these financial code table percentages to distribute the associated collections.

To determine whether the Court distributed its collections in accordance with applicable statutes and guidelines, we reviewed the Court’s distributions of selected case collections from calendar years 2012 and 2013, and also some manual spreadsheets that the Court used to calculate and enter distribution percentages into the JALAN financial code tables. We focused our review on high-volume cases, such as Speeding and Red Light, and on cases with violations involving complex or special distributions, such as Driving Under-the-Influence (DUI) and traffic school dispositions. We also reviewed the Court’s most recent SCO revenue audit, issued in October 2011, to identify any revenue calculation or distribution issues needing additional attention.

Our review of Court distributions found the Court corrected some issues, but found other issues similar to those reported by the SCO. These and other calculation and distribution exceptions are discussed below:

1. The Court did not implement statutory updates to some penalties and distributions in a timely manner. Thus, penalty calculation and distribution inaccuracies occurred over an extended period of time as follows:
  - For all cases in which the GC §76104.7 Additional State DNA penalty (State DNA) applies, the Court did not assess the correct State DNA penalty in effect at the time of the violation. Specifically, the State DNA penalty began at \$1 for every \$10 (\$1 per \$10) of the enhanced base fine. This State DNA penalty increased to \$3 per \$10 effective June 6, 2010, and increased again to \$4 per \$10 on June 27, 2012. However, our review revealed that the Court did not apply the correct State DNA penalty in all nine applicable cases we reviewed because it did not implement these penalty increases in a timely manner. For one case we reviewed, a Speeding Traffic School case, the Court used the older initial

penalty even though almost two years had passed since the effective date of the penalty increase.

- For the one domestic violence case we reviewed, the Court assessed a PC §1203.097 Domestic Violence fee (DV fee) that is outdated. Specifically, the DV fee increased from \$400 to \$500 effective January 1, 2013, but the Court continued to impose the older \$400 DV fee almost eight months after the effective date of the statutory fee increase.
  - Also, for the one domestic violence case we reviewed, the Court distributed the PC §1203.097 DV fee incorrectly. As a result, the Court has understated the distribution to the County and overstated the distribution to the State for almost 3 years. Specifically, when the DV fee was \$200, 1/3 was distributed to the County and 2/3 was distributed to the State. However, when the DV fee increased to \$400 on August 13, 2010, and to \$500 on January 1, 2013, the distribution proportions reversed to 2/3 to the County and 1/3 to the State, yet the Court continued to use the outdated distribution proportions of 1/3 to the County and 2/3 to the State.
2. The Court is assessing the incorrect GC §76000 local penalty amount. Specifically, the Court continues to assess the GC §76000(a) \$7 for \$10 local penalty even though the county's GC §76101 local courthouse construction penalty, a \$4 for \$10 local penalty, expired after the county paid off its facilities bonded indebtedness on June 30, 2011. According to GC §76000(e), the county's local penalty decreases to \$3 for \$10 when responsibility for all court facilities transfer to the State and the county has no related bond indebtedness remaining.
  3. The Court did not transfer the GC §68090.8 – 2 Percent State Automation (2 percent) from all the applicable fines and penalties, thus understating the 2 percent distribution to the State as follows.
    - For cases with convictions of Vehicle Code violations, the Court did not transfer 2 percent from the \$4 GC §76000.10 Emergency Medical Air Transportation (EMAT) penalty. Because the EMAT penalty is a relatively recent penalty, not transferring 2 percent from this penalty is a common oversight.
    - For convictions of DUI and Reckless driving violations, the Court did not transfer 2 percent from the following special distributions of the base fine: PC §1463.14(a) \$50 Lab fee, PC §1463.16 \$50 Program fee, and the PC §1463.18 \$20 DUI Indemnity (for DUI violations only). Because these amounts are taken from the base fine, the character of fine does not change so the 2 percent transfer applies.
    - For VC §16028 Proof of Financial Responsibility convictions, the Court did not transfer 2 percent from the special deposits of the base fine totaling \$30.50 pursuant to PC §1463.22. Because these special deposits are also made from the base fine, the character of the fine does not change so the 2 percent transfer applies.

4. For one Red Light bail forfeiture (non-traffic school) case we reviewed, the Court did not allocate 30 percent from the \$4 GC §76000.10 – EMAT penalty pursuant to PC §1463.11. The EMAT penalty is a relatively new penalty that courts often overlook when applying this 30 percent allocation, similar to the 2 percent transfer noted above.
5. For one Red Light traffic school case we reviewed, the Court distributed the collections as a PC §1463.11 Red Light bail forfeiture case instead of as a VC §42007.3 Red Light traffic school case. Although both statutes require a 30 percent allocation to the local Red Light fund, the calculations and distributions differ. For example, when a Red Light case is disposed with traffic school, the 2 percent State Automation transfer no longer applies since the fines and penalties are converted to a traffic violator school (TVS) fee. In addition, other special distributions apply to this TVS fee.
6. For the traffic school cases we reviewed, we noted that the Court did not calculate the correct VC §42007 TVS fee; thus, negatively impacting the TVS fee distribution to the county. Specifically, we noted the following:
  - The Court did not include the \$4 GC §76000.10 EMAT penalty, the GC §76104.6 DNA penalty, and the GC §76104.7 DNA Additional State penalty as a part of the VC 42007 TVS fee. As a result, the Court distributed these penalties to their respective accounts instead of including these amounts as a part of the TVS fees that are distributed to the County General fund.
  - The Court continues to distribute the \$1 special distribution to the GC §76100 local courthouse construction fund (LCCF) even though the LCCF expired on June 30, 2011, when the county paid off its facilities bonded indebtedness. Instead, this \$1 should remain a part of the VC §42007 TVS fee that is distributed to the County General fund.
  - Partly because of the above distribution errors, the distribution percentages the Court calculated for its Traffic School financial code table are incorrect, resulting in inaccuracies among the distribution components.
7. For one case we reviewed, the Court did not add a \$10 base fine enhancement for a Vehicle Code moving violation conviction with a qualified prior conviction, thus understating the total enhanced base fine. Specifically, according to the 2013 Judicial Council Uniform Bail & Penalty Schedule, section VII, the base fine of the new offense shall be enhanced by \$10 for each prior conviction within 36 months of the new offense. Both the new and prior offense must be moving violations with assigned “points” pursuant to VC §12810 and VC §12810.2. In addition, regardless of the number of moving violation convictions on a citation, only one “prior” conviction per citation shall be counted in determining the enhancements on the current offense. Because the Court did not add a base fine enhancement, the Court not only understated the total enhanced base fine, it also understated the associated penalties, 20 percent State surcharge, and the 2 percent State automation distributions.

8. For the DUI and reckless driving cases we reviewed, the Court incorrectly treated the special base fine distributions – PC §1463.14(a) \$50 lab fee, PC §1463.16 \$50 program fee and PC §1463.18 \$20 DUI indemnity (for DUI violations only) – as additional fees rather than as amounts that are taken from the base fine. Similarly, for a proof of financial responsibility case we reviewed, the Court also treated the PC §1463.22 special deposits as additional amounts instead of deposits that are taken from the base fine. As a result, the Court calculated incorrect distribution percentages for the JALAN financial code tables associated with these distributions.
9. For cases disposed with proof of correction (POC) and with multiple violations on one citation, the Court distributed the VC §40611 POC fees per violation rather than for each citation. Specifically, pursuant to VC §40611 (b), after distribution of the first \$10, the remainder of the POC fees collected is distributed to the State ICNA regardless of the number of violations corrected in the citation.
10. For one case we reviewed with a failure-to-appear (FTA) assessment pursuant to PC §853.7a, the Court understated the total fine by the FTA assessment amount because the Court set the distribution formula to deduct the FTA assessment from the existing total fine rather than add it as an additional assessment. As a result, the base fine, applicable penalties, and 20 percent State surcharge distributions are slightly understated.
11. For the case collections we reviewed that were paid in installments, the Court distributed the installments using incorrect distribution priorities. Specifically, the Court distributed the installments to base fines before distribution to the PC §1465.7 20 percent State surcharge (20% surcharge) even though statute provides the 20% surcharge a higher distribution priority than fines. Pursuant to PC §1203.1d, collections of installment payments must be distributed first to victim restitution; with the second distribution priority to the 20% surcharge; the third distribution priority to fines, penalties, and restitution fines; and the last priority to other reimbursable costs, such as court operations and criminal conviction assessments.

### **Recommendations**

To ensure its calculation and distribution of fines, fees, penalties, and other assessments are consistent with applicable statutes and guidelines, the Court should consider the following:

1. Update the JALAN financial codes to reflect the changes made by distribution statutes, such as the GC §76104.7 DNA Additional penalty and the PC §1203.097 Domestic Violence fee. To ensure it updates its JALAN financial codes on a timely basis, the Court should proactively seek information about upcoming legislative changes that impact distributions and configure any necessary changes to JALAN financial codes so it is prepared to implement the changes when they become effective.
2. Update the GC §76000 local penalty assessment from \$7 for every \$10 (\$7 per \$10) of the base fine to \$3 per \$10 per GC §76000 (e). As a courtesy, the Court should inform the county of this change so that the county may evaluate the potential impact on county distributions.

3. Transfer the GC §68090.8 – 2 Percent State automation amount from all fines, penalties, and forfeitures in criminal cases, including from the following fines and penalties:
  - The GC 76000.10 \$4 EMAT penalty.
  - The DUI and reckless driving violations special base fine distributions that are taken from the base fine; PC §1463.14(a) \$50 Lab fee, PC §1463.16 \$50 Program fee and PC §1463.18 \$20 DUI Indemnity (for DUI violations only.)
  - The PC §1463.22 special deposits that are made from the base fine totaling \$30.50 for proof of financial responsibility convictions.
4. Update its JALAN financial codes to apply the 30 percent Red Light allocation to the GC §76000.10 \$4 EMAT penalty for Red Light bail forfeiture cases.
5. Correct its Red Light traffic school calculations and distributions to those required by VC §42007.3, instead of calculating and distributing as Red Light traffic school cases as Red Light bail forfeiture cases.
6. Correct the calculation and distribution of the VC §42007 TVS fee as follows:
  - Include the GC §76000.10 \$4 EMAT penalty, the GC §76104.6 DNA penalty and the GC §76104.7 State DNA additional penalty as a part of the VC 42007 TVS fee that is distributed to the County General fund after any applicable special distributions.
  - Discontinue the \$1 special distribution to the GC §76100 local courthouse construction fund (LCCF) as this LCCF expired in June 2011 due to the county transferring responsibility over court facilities to the State and fully repaying any associated local court facilities bond indebtedness.
  - Recalculate the traffic school distribution percentages, according to the calculations and distributions required by VC §42007, and ensure the JALAN Traffic School financial code tables reflect these recalculated distribution percentages.
7. Program JALAN or advise clerks to add the base fine enhancements to convictions of Vehicle Code violations for each qualified prior conviction(s) within 36 months of the new offense. Both the new and prior offense must be moving violations with assigned “points” pursuant to VC §12810 and VC §12810.2. In addition, regardless of the number of moving violation convictions on a citation, only one “prior” conviction per citation shall be counted in determining the enhancements on the current offense.
8. Correct the calculation and distribution of DUI and reckless driving violation collections as follows. Subtract the special base fine distributions – PC §1463.14(a) \$50 lab fee, PC §1463.16 \$50 program fee and PC §1463.18 \$20 DUI indemnity (for DUI violations only) –

from the total base fine. Transfer the 2 percent State automation amount from the special base fine distributions, the remaining base fine, and the other penalties. Then recalculate the distribution percentages, and ensure the associated JALAN financial codes reflect these recalculated distribution percentages.

9. Configure JALAN to correctly distribute the VC §40611 Proof of Correction (POC) collections for citations with multiple violation corrections. Specifically, after distributing the first \$10, VC §40611(b) requires the remainder of the fees collected be distributed to the State ICNA regardless of the number of corrected violations in the citation.
10. Add the PC §853.7a failure-to-appear assessment, when applicable, as an additional assessment to the total fine, similar to how the Court adds the court operations assessment and the criminal conviction assessment to the total fine.
11. Correct the distribution priorities for installment payments as required by PC §1203.1d. Specifically, victim restitution is the first distribution priority; the 20 percent surcharge is the second distribution priority; fines, penalties, and restitution fines are the third distribution priority; then other reimbursable costs, including court operations and criminal conviction assessments, are the last priority.

**Superior Court Response:** Renee Danielson, Court Division Manager    Date: 11/12/2013

**1. Agree**

**Corrective Action Taken:** Changes are made in financial codes as soon as the information is available to the court. This complex task must be done carefully to ensure all codes are correct in their distributions and is further complicated by the lack of timely information provided to the court. As always we will continue to change the codes as quickly and correctly as possible and will work to proactively track pending legislation changes that affect distribution calculations. The noted distributions have been corrected.

**Date of Corrective Action:** November 1, 2013

**Responsible Person:** Renee Danielson, Court Division Manager

**2. Agree**

**Corrective Action Taken:** Unfortunately, this information was not communicated to the court until training at the AOC. There are issues as to how this information can be better distributed to each individual court. The court will contact the county regarding this change so that it may evaluate the potential impact on county distributions.

**Date of Corrective Action:** March 1, 2014

**Responsible Person:** Renee Danielson, Court Division Manager

**3. Agree**

**Corrective Action Taken:** The 76000.10 \$4 EMAT penalty distribution was corrected on November 1, 2013. The DUI violations, and PC 1463.4(1), 1463.16, 1463.18, and 1463.22 are under review will be corrected.

**Date of Corrective Action:** November 1, 2013 and January 1, 2014

**Responsible Person:** Renee Danielson, Court Division Manager

4. **Agree**

**Corrective Action Taken:** See #3 above.

**Date of Corrective Action:** January 1, 2014

**Responsible Person:** Renee Danielson, Court Division Manager

5. **Agree in part**

**Corrective Action Taken:** See #3 above. Also, this distribution is under review and will be corrected by the second quarter 2014.

**Date of Corrective Action:** March 1, 2014

**Responsible Person:** Renee Danielson, Court Division Manager

6 to 10. **Agree**

**Corrective Action Taken:** These distributions are under review and will be corrected by the second quarter 2014.

**Date of Corrective Action:** March 1, 2014

**Responsible Person:** Renee Danielson, Court Division Manager

11. **Agree in part**

**Corrective Action Taken:** Financial codes set without special fund collections are set correctly; victim restitution and 20% surcharge are paid first. When the financial code corrections are made in early 2014 the 20% surcharge will be corrected on these few financial codes. Victim restitution is added separately to each case and therefore is the very first item paid on a case.

**Date of Corrective Action:** November 7, 2013

**Responsible Person:** Renee Danielson, Court Division Manager

## 7. Banking and Treasury

### Background

GC 77009 authorizes the Judicial Council to establish bank accounts for trial courts to deposit trial court operations funds and other funds under the courts' control. The FIN Manual, FIN 13.01, establishes the conditions and operational controls under which trial courts may open these bank accounts and maintain funds. Trial courts may earn interest income on all court funds wherever located. The Court receives interest income earned on funds deposited with the AOC Treasury. The Court deposits in AOC-established accounts allocations to the trial court for court operations; trust deposits for civil cases; and filing fees, most other civil fees, civil assessments, and court-ordered sanctions under AB 145.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2013	2012		
<b>Assets</b>				
100000 POOLED CASH	80,468.04	44,032.42	36,435.62	82.75%
100025 DISB CHECK-OPERATIONS	(56,317.46)	(113,811.10)	57,493.64	50.52%
100027 DISB OUTGOING EFT	(225.00)	0.00	(225.00)	-100.00%
119001 CASH ON HAND - CHANGE FUND	350.00	350.00	0.00	0.00%
120001 CASH WITH COUNTY	1,088,740.24	791,877.31	296,862.93	37.49%
120050 SHORT TERM INVESTMENTS-LAIF	103,077.74	202,068.70	(98,990.96)	-48.99%
120051 SHORT TERM INVESTMENTS-CAPITAL	213,371.33	254,170.46	(40,799.13)	-16.05%
<b>*** Cash and Cash Equivalents</b>	<b>1,429,464.89</b>	<b>1,178,687.79</b>	<b>250,777.10</b>	<b>21.28%</b>
<b>Accounts Payable</b>				
301001 A/P - GENERAL	3,668.42	0.00	3,668.42	100.00%
314014 SPECIAL REVENUE-DUE TO GE	155,310.00	263,715.30	(108,405.30)	-41.11%
321600 A/P - TC145 LIABILITY	89,225.46	91,129.78	(1,904.32)	-2.09%
323010 TREASURY INTEREST PAYABLE	1.40	11.31	(9.91)	-87.62%
330001 A/P - ACCRUED LIABILITIES	87,603.24	69,681.70	17,921.54	25.72%
<b>*** Accounts Payable</b>	<b>335,808.52</b>	<b>424,538.09</b>	<b>(88,729.57)</b>	<b>-20.90%</b>
<b>Current Liabilities</b>				
351003 LIABILITIES FOR DEPOSITS	1,299.19	811.90	487.29	60.02%
353090 FUNDS HELD OUTSIDE OF THE AOC	640,515.09	301,215.74	339,299.35	112.64%
374001 PAYROLL CLEARING ACCOUNT-LI	295,682.90	0.00	295,682.90	100.00%
<b>*** Current Liabilities</b>	<b>937,497.18</b>	<b>302,027.64</b>	<b>635,469.54</b>	<b>210.40%</b>
<b>Revenues</b>				
<b>** 825000-INTEREST INCOME</b>	<b>4,861.85</b>	<b>8,550.65</b>	<b>(3,688.80)</b>	<b>-43.14%</b>
<b>Expenditures</b>				
920302 BANK FEES	1,023.39	988.67	34.72	3.51%
920304 REGISTRATION FEES-PERMITS	0.00	344.00	(344.00)	-100.00%
<b>* 920300 - FEES/PERMITS</b>	<b>1,023.39</b>	<b>1,332.67</b>	<b>(309.28)</b>	<b>-23.21%</b>

As with other Phoenix courts, the Court relies on Trial Court Trust and Treasury Services for many banking services, such as performing monthly reconciliations of bank balances to the general ledger, overseeing the investment of trial court funds, and providing periodic reports to trial courts and other stakeholders. Therefore, we only performed a high level review of the Court's banking and treasury procedures, including the following:

- Controls over check issuance and the safeguarding of check stocks for bank accounts under the Court's control (e.g. Revolving Account, local bank accounts).

- Processes for reconciling general ledger trust balances to supporting documentation; including daily deposit, CMS, and case file records.
- Whether AOC approval was obtained prior to opening and closing bank accounts.

**The following issue is associated with this section and considered significant enough to bring to management's attention. Additional minor issues are contained in Appendix A to this report.**

## **7.1 The Court Needs to Reconcile Its Trust Account Balances**

### **Background**

Trial courts hold trust funds in a fiduciary capacity on behalf of others and are responsible for properly managing, monitoring, and safeguarding these funds. Specifically, FIN Manual, Policy No. FIN 13.01, requires courts to implement procedures and controls to manage and safeguard court funds. For example, paragraph 6.6 of this policy requires courts to reconcile all bank accounts at least monthly, and more frequently if required, to maintain adequate control over trial court funds. This would involve a complete reconciliation between the bank account, fiscal system, and the case management system, which is the detailed sub ledger system for trust account activity. Additionally, paragraph 6.10 requires trial courts to maintain the minimum number of bank accounts necessary for efficient court operations.

### **Issues**

Our review of the Court's banking and treasury practices revealed that the Court is not current with its trust account reconciliations. Specifically, the Court has three trust accounts, of which none were reconciled at the time of our review. According to the Court, the recently retired Deputy Court Executive Officer (DCEO) was responsible for reconciling the trust accounts. However, since the DCEO's retirement in December 2012, court fiscal staff has not completed these reconciliations because staff has not been able to determine what records the DCEO used to prepare and support the reconciliations.

At the time of our review, court staff could not recall when one trust account was last reconciled. According to the Court, this trust account was originally the responsibility of the County. However, when the Court inherited this trust account from the County, it discovered that the trust account was not reconciled. In August 2011, the former DCEO attempted to reconcile the account, but large discrepancies between the amount the County reported in its records and the amount the Court reported in its CMS prevented the Court from properly reconciling this account.

A second trust account was last reconciled in September 2012. However, large discrepancies exist for this account as well. According to the Court, these discrepancies are the result of its CMS only tracking deposits and not distributions.

The third and most active trust account was last reconciled in September 2007. Similarly, this trust account has large discrepancies that the Court also attributes to the CMS only tracking deposits and not distributions.

### **Recommendations**

To ensure it adequately manages, safeguards, and accounts for court trust funds, the Court should consider the following:

1. Seek outside assistance, such as from the Administrative Office of the Courts – Trial Court Administrative Services, to help Court fiscal staff identify records and develop processes to reconcile the trust accounts. The Court should ensure that the reconciliations are a complete reconciliation between the bank account, fiscal system, and the case management system, which is the detailed sub ledger system for trust account activity.
2. Assign responsibility and establish a process for reconciling all trust accounts at least monthly. Also, establish an internal review process to ensure the reconciliations are performed monthly and kept current. Alternatively, the Court may also consider transferring its trust accounts from the County to the Administrative Office of the Courts bank accounts so that the Trial Court Administrative Services staff can assist with the trust account reconciliation functions.

**Superior Court Response:** Bonnie Sloan, Court Division Manager    Date: 8/14/13

1. **Agree.**

**Corrective Action Taken:** The trust accounts referred to in Issue #1 are the Jury Trust, Bail Trust (Formerly known as “clerks trust”), and the Victim Restitution Trust, which are not currently reconciled as noted in the issues stated above. The court has been diligent in tracking all transactions in these trust accounts on a monthly basis with respect to our CMS accounting records. The trust accounts reside with the county auditor. A contributing problem to having a complete reconciliation of the trust accounts is the inability to access certain information from the county auditor records, such as check (or warrant) numbers and payee names, to determine whether they have cleared or not.

The court took over the collections of fines, fees and other penalties from the county in July 2010, and inherited the county records and the trust account for victim restitution. This court has made a diligent effort to locate as many victims as possible and identify any restitution funds they are owed. The court would like to return any unclaimed funds to the county, as they are planning on proceeding with their internal escheatment process for unclaimed funds.

2. **Agree**

**Corrective Action Taken:** Our court has a small fiscal department and continually runs into problems with segregations of duties, which has been exacerbated by a substantial reduction in staff due to attrition over the past few years. The court will be seeking the assistance from the Administrative Office of the Courts (AOC), Trial Court Administrative Services, to aid in the account reconciliation of the trust accounts.

Further, the court is currently exploring the option of moving the trust accounts from the county to AOC bank accounts for access to a wider variety of information on those accounts and the assistance with trust account reconciliation.

**Date of Corrective Action:** September 30, 2013

**Responsible Persons:** H. Stephen Konishi, Court Executive Officer; Bonnie Sloan, Court Division Manager

## 8. Court Security

### Background

Appropriate law enforcement services are essential to trial court operations and public safety. Accordingly, each court enters into a memorandum of understanding (MOU) with the county sheriff for court security services, such as bailiff services and perimeter security services. The sheriff specifies the level of security services it agrees to provide. The Court entered into an MOU with the County Sheriff for court security services, including stationing bailiffs in courtrooms, perimeter security inside the court facility, and retaining control of in-custodies transported to and from the courthouse.

Additionally, each court must prepare and implement a comprehensive court security plan that addresses the sheriff's plan for providing public safety and law enforcement services to the court in accordance with the Superior Court Law Enforcement Act of 2002. The AOC Emergency Response and Security (ERS) unit provides courts with guidance in developing a sound court security plan, including a court security plan template and a court security best practices document. ERS also has a template for courts to use in developing an Emergency Plan.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2012	2011		
<b>Expenditures</b>				
934504 PERIMETER SECURITY-CONTRA	94,346.82	96,993.08	(2,646.26)	-2.73%
* <b>934500 - SECURITY</b>	<b>94,346.82</b>	<b>96,993.08</b>	<b>(2,646.26)</b>	<b>-2.73%</b>
941101 SHERIFF - REIMBURSEMENTS	4,325.00	7,025.00	(2,700.00)	-38.43%
* <b>941100 - SHERIFF</b>	<b>4,325.00</b>	<b>7,025.00</b>	<b>(2,700.00)</b>	<b>-38.43%</b>

We reviewed the Court's security controls through interviews with Court management and county sheriff service providers, observation of security conditions, and review of documents.

**There were no issues in this section to report to management.**

## 9. Procurement

### Background

The Judicial Branch Contracting Manual (JBCM) provides uniform guidelines for trial courts to use in procuring necessary goods and services and to document their procurement practices. Trial courts must demonstrate that purchases of goods and services are conducted economically and expeditiously, under fair and open competition, and in accordance with sound procurement practice. Typically, a purchase requisition is used to initiate all procurement actions and to document approval of the procurement by an authorized individual. The requestor identifies the correct account codes(s) and verifies that budgeted funds are available for the purchase, completes the requisition form, and forwards it to the court manager or supervisor authorized to approve the procurement. This court manager or supervisor is responsible for verifying that the correct account codes(s) are specified and assuring that funding is available before approving the request for procurement. Depending on the type, cost, and frequency of the good or service to be purchased, trial court employees may need to perform varying degrees of comparison research to generate an appropriate level of competition so as to obtain the best value. Court employees may also need to prepare and enter into purchase orders, service agreements, or contracts to document the terms and conditions of the procurement.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2013	2012		
<b>Expenditures</b>				
* 920500 - DUES AND MEMBERSHIPS	1,322.50	1,392.50	(70.00)	-5.03%
* 920600 - OFFICE EXPENSE	32,219.04	38,660.98	(6,441.94)	-16.66%
* 921500 - ADVERTISING	1,479.22	5,504.69	(4,025.47)	-73.13%
* 921700 - MEETINGS, CONFERENCES, E	249.79	1,081.89	(832.10)	-76.91%
* 922300 - LIBRARY PURCHASES AND SU	49,618.43	35,668.65	13,949.78	39.11%
* 922600 - MINOR EQUIPMENT - UNDER	17,158.75	42,563.12	(25,404.37)	-59.69%
* 922700 - EQUIPMENT RENTAL/LEASE	7,895.13	9,292.14	(1,397.01)	-15.03%
* 922800 - EQUIPMENT MAINTENANCE	10,762.43	5,541.68	5,220.75	94.21%
* 922900 - EQUIPMENT REPAIRS	950.36	1,518.15	(567.79)	-37.40%
* 923900 - GENERAL EXPENSE - SERVIC	5,662.18	4,953.76	708.42	14.30%
* 924500 - PRINTING	4,609.16	20,583.92	(15,974.76)	-77.61%
* 925100 - TELECOMMUNICATIONS	5,909.68	14,190.25	(8,280.57)	-58.35%
* 926200 - STAMPS, STAMPED ENVELOPE	59,135.79	68,807.14	(9,671.35)	-14.06%
* 928800 - INSURANCE	1,884.00	6,979.00	(5,095.00)	-73.00%
* 933100 - TRAINING	1,467.73	3,012.90	(1,545.17)	-51.29%

* 934500 - SECURITY	94,346.82	96,993.08	(2,646.26)	-2.73%
* 935200 - RENT/LEASE	67,280.00	79,817.58	(12,537.58)	-15.71%
* 935300 - JANITORIAL	69,927.15	69,943.40	(16.25)	-0.02%
* 935400 - MAINTENANCE AND SUPPLIES	1,939.80	1,567.73	372.07	23.73%
* 935500 - GROUNDS	1,020.00	425.00	595.00	140.00%
* 935600 - ALTERATION	9,293.06	83,300.00	(74,006.94)	-88.84%
* 935700 - OTHER FACILITY COSTS - G	0.00	366.00	(366.00)	-100.00%
* 935800 - OTHER FACILITY COSTS - S	0.00	75.00	(75.00)	-100.00%
* 936100 - UTILITIES	20,530.54	17,070.88	3,459.66	20.27%
* 938300 - GENERAL CONSULTANT AND P	145,249.00	142,275.20	2,973.80	2.09%
* 938500 - COURT INTERPRETER SERVIC	45,440.75	41,274.12	4,166.63	10.10%
* 938600 - COURT REPORTER SERVICES	24,475.00	25,367.52	(892.52)	-3.52%
* 938700 - COURT TRANSCRIPTS	65,446.00	55,389.65	10,056.35	18.16%
* 938800 - COURT APPOINTED COUNSEL	214,531.43	213,853.50	677.93	0.32%
* 938900 - INVESTIGATIVE SERVICE	111.00	0.00	111.00	100.00%
* 939000 - COURT ORDERED PROFESSION	72,497.50	65,872.50	6,625.00	10.06%
* 939100 - MEDIATORS/ARBITRATORS	1,800.00	4,656.25	(2,856.25)	-61.34%
* 939200 - COLLECTION SERVICES	276,423.76	304,301.73	(27,877.97)	-9.16%
* 943200 - IT MAINTENANCE	37,478.61	90,623.14	(53,144.53)	-58.64%
* 943500 - IT REPAIRS/SUPPLIES/LICE	35,756.31	38,031.69	(2,275.38)	-5.98%
* 945200 - MAJOR EQUIPMENT	0.00	57,612.05	(57,612.05)	-100.00%

We reviewed the Court's procurement practices to determine whether approval, purchasing, receipt, and payment roles are segregated. We also performed substantive testing on selected purchases to determine whether the Court obtained approvals from authorized individuals, followed open and competitive procurement practices, and complied with other JBCM procurement requirements.

**There were no issues associated with this section to report to management. Minor issues are contained in Appendix A to this report.**

## 10. Contracts

### Background

The Judicial Branch Contracting Manual establishes uniform guidelines for trial courts to follow in preparing, reviewing, negotiating, and entering into contractual agreements with qualified vendors. Trial courts must issue a contract when entering into agreements for services or complex procurements of goods. It is the responsibility of every court employee authorized to commit trial court resources to apply appropriate contract principles and procedures that protect the best interests of the court.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2013	2012		
<b>Expenditures</b>				
* 938300 - GENERAL CONSULTANT AND P	145,249.00	142,275.20	2,973.80	2.09%
* 938500 - COURT INTERPRETER SERVIC	45,440.75	41,274.12	4,166.63	10.10%
* 938600 - COURT REPORTER SERVICES	24,475.00	25,367.52	(892.52)	-3.52%
* 938700 - COURT TRANSCRIPTS	65,446.00	55,389.65	10,056.35	18.16%
* 938800 - COURT APPOINTED COUNSEL	214,531.43	213,853.50	677.93	0.32%
* 938900 - INVESTIGATIVE SERVICE	111.00	0.00	111.00	100.00%
* 939000 - COURT ORDERED PROFESSION	72,497.50	65,872.50	6,625.00	10.06%
* 939100 - MEDIATORS/ARBITRATORS	1,800.00	4,656.25	(2,856.25)	-61.34%
* 939200 - COLLECTION SERVICES	276,423.76	304,301.73	(27,877.97)	-9.16%
<b>Expenditures – County Provided Services</b>				
* 942100 - COUNTY-PROVIDED SERVICES	350,832.26	374,830.48	(23,998.22)	-6.40%

We evaluated the Court's contract monitoring practices through interviews with various Court personnel and review of selected contract files. We also reviewed selected contracts to determine whether they contain adequate terms and conditions to protect the Court's interest.

Further, we reviewed any memorandum of understanding entered into with the County to determine whether they are current, comprehensive of all services currently received or provided, and contain all required terms and conditions. We also reviewed selected County invoices to determine whether the services billed were allowable and sufficiently documented and supported, and whether the Court appropriately accounted for the costs and had a process to determine if cost were reasonable.

**The following issue is associated with this section and considered significant enough to bring to management's attention. Additional minor issues are contained in Appendix A to this report.**

## **10.1 The Court Needs to Negotiate Agreements for County-Provided Services and Strengthen Its Review of County Invoices**

### **Background**

Government Code (GC) section 77212 requires a court to enter into a contract with the county to define the services the court desires to receive from the county and the services the county agrees to provide to the court. A Memorandum of Understanding (MOU) may serve as the contract between the county and the court. An MOU is a written record that outlines the terms of an agreement or transaction between government entities. Because of the historical relationship between courts and counties, MOUs are commonly used to establish agreements between the two entities.

To assist courts with preparing, reviewing, negotiating, and entering into MOUs with other government entities, the Judicial Branch Contracting Manual, Chapter 8, Appendix C, provides uniform guidelines for courts to follow. For example, it outlines key elements that MOUs for county-provided services must contain such as the basic contract elements (cost, schedule, scope of work, and terms and conditions.) Further, it refers courts to review California Rules of Court, Rule 10.810, which lists allowable and unallowable court costs, when negotiating the MOU or reviewing county invoices.

When processing County invoices for payment, FIN Policy 8.01 and FIN Policy 8.02 apply. These policies provide uniform guidelines for courts to use when processing county invoices for payment. These guidelines include procedures for preparing invoices for processing, matching invoices to procurement documents and proof of receipt, reviewing invoices for accuracy, approving invoices for payment, and reconciling approved invoices to payment transactions recorded in the accounting records.

### **Issues**

To obtain an understanding of the types of services the Court receives from the County and the manner in which it pays for these services, we interviewed appropriate Court personnel and reviewed any MOUs between the Court and County, as well as County invoices paid by the Court. Our review revealed the following:

1. For four of the five county expenditure transactions we reviewed, the Court still does not have a current MOU with the County for the county-provided services. Without an MOU or other agreement with the County, the Court cannot demonstrate compliance with statute and cannot be sure it is appropriately paying only for the level of county-provided services it receives.
2. The Court did not consistently follow the FIN Manual procedures for processing the five paid invoices we selected to review. Specifically, we noted the following:
  - a. The Court could not demonstrate that it matched the services and amounts on two invoices to the terms in an MOU or procurement document, such as a purchase order or purchase requisition.
  - b. Two invoices were not accompanied by proof that the Court received services, such as with Court staff signatures acknowledging receipt of acceptable county services.

- c. One invoice was a billing for indirect costs; however, the Court could not provide the methodology used by the County to calculate indirect costs. As a result, the Court could not determine the reasonableness of the indirect costs billed by the County.

**Recommendations**

To ensure the Court adequately protects its best interests, receives and pays only the services it expects from the County, pays costs that are reasonable and allowable, and follows accounts payable guidelines, it should consider the following:

1. Enter into a written MOU with the County of Yuba for the services the Court desires to receive from the County.
2. Provide training and instruction to accounts payable staff to ensure they follow the FIN Manual uniform guidelines for processing invoices, including matching invoices to procurement documents and proof of receipt, and reviewing invoices for reasonableness and accuracy before approving for payment.

**Superior Court Response:** Terese Johnson, Administrative Fiscal Officer    Date: 8/14/2013

**1. Agree**

**Corrective Action Taken:** Negotiations for an MOU with Yuba County for were delayed before and after the retirement of the Deputy Court Executive Officer in December 2012. The court is currently in negotiations as to which services the county will maintain or terminate, which should be concluded prior to December 31, 2013.

**Date of Corrective Action:** December 31, 2013

**Responsible Person:** H. Stephen Konishi, Court Executive Officer

**2. Agree**

**Corrective Action Taken:** Training and instruction will be provided to accounts payable staff to ensure that all FIN Manual requirements are followed for processing invoices for payment.

**Date of Corrective Action:** December 31, 2013

**Responsible Persons:** H. Stephen Konishi, Court Executive Officer and Terese Johnson, Administrative Fiscal Officer

## 11. Accounts Payable

### Background

The FIN Manual provides various policies on payment processing and provides uniform guidelines for processing vendor invoices, in-court service provider claims, and court-appointed counsel. All invoices and claims received from trial court vendors, suppliers, consultants and other contractors are routed to the trial court accounts payable department for processing. The accounts payable staff must process the invoices in a timely fashion and in accordance with the terms and conditions of the purchase agreements. All invoices must be matched to the proper supporting documentation and must be approved for payment by authorized court personnel acting within the scope of their authority.

In addition, superior court judges and employees may be required to travel in the course of performing their official duties, and may occasionally conduct official court business during a meal period. Courts may reimburse its judges and employees for their reasonable and necessary travel expenses incurred while traveling on court business only within maximum reimbursement limits. Courts may also pay vendors' invoices or reimburse its judges and employees for the actual cost of business meals only when related rules and limits are met.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2013	2012		
<b>Liabilities</b>				
*** Accounts Payable	335,808.52	424,538.09	(88,729.57)	-20.90%
*** Current Liabilities	937,497.18	302,027.64	635,469.54	210.40%
<b>Reimbursements - Other</b>				
** 860000-REIMBURSEMENTS - OTHER	4,255.20	4,567.28	(312.08)	-6.83%
<b>Expenditures</b>				
* 920600 - OFFICE EXPENSE	32,219.04	38,660.98	(6,441.94)	-16.66%
* 921500 - ADVERTISING	1,479.22	5,504.69	(4,025.47)	-73.13%
* 921700 - MEETINGS, CONFERENCES, E	249.79	1,081.89	(832.10)	-76.91%
* 922300 - LIBRARY PURCHASES AND SU	49,618.43	35,668.65	13,949.78	39.11%
* 922700 - EQUIPMENT RENTAL/LEASE	7,895.13	9,292.14	(1,397.01)	-15.03%
* 922800 - EQUIPMENT MAINTENANCE	10,762.43	5,541.68	5,220.75	94.21%
* 922900 - EQUIPMENT REPAIRS	950.36	1,518.15	(567.79)	-37.40%
* 923900 - GENERAL EXPENSE - SERVIC	5,662.18	4,953.76	708.42	14.30%
* 924500 - PRINTING	4,609.16	20,583.92	(15,974.76)	-77.61%
* 925100 - TELECOMMUNICATIONS	5,909.68	14,190.25	(8,280.57)	-58.35%
* 926200 - STAMPS, STAMPED ENVELOPE	59,135.79	68,807.14	(9,671.35)	-14.06%
* 928800 - INSURANCE	1,884.00	6,979.00	(5,095.00)	-73.00%
* 929200 - TRAVEL - IN STATE	8,757.21	15,270.14	(6,512.93)	-42.65%
* 933100 - TRAINING	1,467.73	3,012.90	(1,545.17)	-51.29%

* 935200 - RENT/LEASE	67,280.00	79,817.58	(12,537.58)	-15.71%
* 935300 - JANITORIAL	69,927.15	69,943.40	(16.25)	-0.02%
* 935400 - MAINTENANCE AND SUPPLIES	1,939.80	1,567.73	372.07	23.73%
* 935500 - GROUNDS	1,020.00	425.00	595.00	140.00%
* 935600 - ALTERATION	9,293.06	83,300.00	(74,006.94)	-88.84%
* 935700 - OTHER FACILITY COSTS - G	0.00	366.00	(366.00)	-100.00%
* 935800 - OTHER FACILITY COSTS - S	0.00	75.00	(75.00)	-100.00%
* 936100 - UTILITIES	20,530.54	17,070.88	3,459.66	20.27%
* 938300 - GENERAL CONSULTANT AND P	145,249.00	142,275.20	2,973.80	2.09%
* 938500 - COURT INTERPRETER SERVIC	45,440.75	41,274.12	4,166.63	10.10%
* 938600 - COURT REPORTER SERVICES	24,475.00	25,367.52	(892.52)	-3.52%
* 938700 - COURT TRANSCRIPTS	65,446.00	55,389.65	10,056.35	18.16%
* 938800 - COURT APPOINTED COUNSEL	214,531.43	213,853.50	677.93	0.32%
* 938900 - INVESTIGATIVE SERVICE	111.00	0.00	111.00	100.00%
* 939000 - COURT ORDERED PROFESSION	72,497.50	65,872.50	6,625.00	10.06%
* 939100 - MEDIATORS/ARBITRATORS	1,800.00	4,656.25	(2,856.25)	-61.34%
* 939200 - COLLECTION SERVICES	276,423.76	304,301.73	(27,877.97)	-9.16%
* 965100 - JUROR COSTS	20,764.58	12,956.91	7,807.67	60.26%
* 972200 - GRAND JURY COSTS	10,000.00	0.00	10,000.00	100.00%

We assessed the Court's compliance with invoice and claim processing requirements specified in the FIN Manual through interviews with fiscal staff involved in accounts payable. We also reviewed selected invoices and claims processed in FY 2011–2012 to determine whether accounts payable processing controls were followed, payments were appropriate, and amounts paid were accurately recorded in the general ledger.

We also assessed compliance with additional requirements provided in statute or policy for some of these invoices and claims, such as court transcripts, contract interpreter claims, and jury per diems and mileage reimbursements. Furthermore, we reviewed a sample of travel expense claims and business meal expenses to assess compliance with *AOC Travel Reimbursement Guidelines* and *Business-Related Meals Reimbursement Guidelines* provided in the FIN Manual.

**The following issues are associated with this section and considered significant enough to bring to management's attention. An additional minor issue is contained in Appendix A to this report.**

### **11.1 The Court Needs to Improve Its Procedures for Reviewing and Approving Travel Expenses**

#### **Background**

Government Code section 69505(a) requires trial court judges and employees to follow the procedures recommended by the Administrative Director of the Courts and approved by the Judicial Council for reimbursement of business-related travel. The Administrative Office of the Courts (AOC) Travel Rate Guidelines are approved annually by the Judicial Council and provide specific information regarding the current limitations that apply to allowable travel expenses.

The rules and limits for arranging, engaging in, and claiming reimbursement for travel on official court business are specified in the FIN Manual. Specifically, Policy Number FIN 8.03, 3.0 states:

The trial court reimburse[s] its judges and employees for their reasonable and necessary travel expenses incurred while traveling on court business within the limits of the trial court's maximum reimbursement guidelines. Under Government Code section 69505, the AOC's

Travel Rate Guidelines must be used. All exceptions to the Judicial Branch Travel Guidelines, including any terms of an executed memorandum of understanding agreement by and between a recognized employee organization and a trial court, must be submitted in writing and have prior approval in accordance with alternative procedures guidelines established in Policy Number FIN 1.01, 6.4 (4).

Policy Number FIN 8.03 provides specific travel procedures for trial courts to follow. FIN 8.03, 6.3, states that it is necessary to document business travel expenses with original receipts showing the actual amounts spent on lodging, transportation, and other miscellaneous items. Further, FIN 8.03, 6.3.1, states that when the use of a personal vehicle is approved for trial court business and the travel commences from home, reimbursed personal vehicle mileage will be calculated from the traveler's designated headquarters or home, whichever results in the lesser distance, to the business destination. In addition, FIN 8.03, 6.1.1 states that travel costs incurred without written travel request approval may be subject to rejection when reimbursement is requested. Out-of-state or international travel requires the approval of the Presiding Judge (PJ) or written designee.

In addition, Policy Number FIN 8.03, 6.4, provides that reimbursable travel expenses are limited to the authorized, actual, and necessary costs of conducting the official business of the trial court and the limits established in the published AOC Travel Rate Guidelines. Judges and employees who incur reimbursable business travel costs, must submit a completed travel expense reimbursement claim (TEC) form that notes the business purpose of the trip, includes only allowable expenses paid, is supported by required receipts, and is signed approved by the judge's or employee's appropriate approval level.

For example, travelers may be reimbursed for the actual costs of overnight lodging and meals consumed during business travel up to the maximum rates published in the AOC Travel Rate Guidelines. According to these guidelines, actual expenses for breakfast, lunch, dinner, and incidentals are limited to the following maximum rates for continuous travel of more than 24 hours:

<b>MEALS</b>	<b>MAXIMUM REIMBURSEMENT</b>
Breakfast	Not to Exceed \$ 6
Lunch	Not to Exceed \$10
Dinner	Not to Exceed \$18
Incidentals	Not to exceed \$ 6

For travel of less than 24 hours, lunch and incidentals may not be claimed. However, breakfast may be claimed if travel begins one hour before normal work hours, and dinner may be claimed if travel ends one hour after normal work hours.

Further, FIN 8.03, 6.1.8, states that business-related travel by a contractor—for items such as air transportation, lodging, meals, personal vehicle usage, and rental vehicle usage—must be addressed in a written agreement between the contractor and the court. It also recommends that the court incorporate the negotiated travel guidelines and attach a copy of the guidelines to the agreement. Further, the contractor, vendor, or temporary agency staff business travel must be

billed to the court on a company invoice in accordance with the guidelines noted in the contract with the court.

### **Issues**

To determine whether the Court followed the travel expense guidelines required in the FIN Manual, we made inquiries of appropriate Court staff regarding current travel reimbursement practices. We also reviewed selected travel expense reimbursement transactions from between July 2011 to June 2012. Our review determined that the Court needs to improve its business travel expense reimbursement procedures. Specifically, we noted the following in our review of travel expense reimbursements and credit card charges:

1. The employee's appropriate approval-level supervisor or manager did not always sign the TECs to demonstrate supervisory review and approval of the claimed travel expenses. Specifically, for four of the eight TECs we reviewed, the fiscal manager approved the TECs for payment even though the staff who requested reimbursement of travel expenses do not report to the fiscal manager.

For a fifth TEC submitted by a contractor, the fiscal manager approved the mileage reimbursement claim even though the fiscal manager was not the designated contract administrator and thus would not have direct knowledge of the validity and reasonableness of the mileage claimed by the contractor.

For a sixth TEC submitted by the PJ, accounting processed and paid the TEC even though no one signed the claim to indicate the expenses were reviewed and approved for reimbursement. In this instance, the appropriate approval-level for the PJ's TEC should have been the assistant presiding judge.

2. The Court reimbursed a contractor for mileage even though the contractor's claim did not provide sufficient information to determine whether the mileage was reasonable. Specifically, the contractor's mileage claim form only provided the beginning and ending odometer readings instead of the pertinent addresses and online maps with the travel destinations and distances that support the claimed mileage.

For another Court employee TEC, the Court paid the claimed mileage even though the traveler did not claim the lesser of the mileage between headquarters or home and the business destination as required by the FIN Manual.

### **Recommendations**

To ensure its travel expenses comply with the AOC travel expense reimbursement policy and procedures, and are an appropriate and necessary use of public funds, the Court should consider the following:

1. Require appropriate level review and approval signatures on TEC forms from the employee's supervisor or above. If the TEC is submitted by a PJ, the assistant PJ would be the appropriate review and approval level to sign the TEC approving reimbursement of the PJ's claimed travel expenses. If the TEC is submitted by a judicial officer, the PJ or a supervising

judge would be the appropriate review and approval level who would sign the TEC approving the travel expenses of judicial officers. Similarly, if the TEC is submitted by a contractor, the individual overseeing the contract would be the appropriate review and approval level to sign the TEC.

In addition, the Court should instruct accounts payable staff to not process TECs for payment until the appropriate approval levels sign the TEC approving reimbursement of the claimed travel expenses.

2. Provide instruction to traveling employees, managers, supervisors, contractors, and accounts payable staff regarding the information and documentation necessary to properly claim, review, and approve allowable travel expenses. This instruction should include information on the FIN Manual travel expense reimbursement requirements, AOC maximum reimbursement limits, types of travel expenses are allowed and not allowed, and the submittal of appropriate itemized receipts to support the travel expenses.

**Superior Court Response:** Terese Johnson, Administrative Fiscal Officer    Date: 8/13/13

**1. Agree**

**Corrective Action Taken:**

All TECs will be reviewed, approved and signed by the employee's supervisor or above. Further, the PJ will approve and sign all judicial officers' TECs and the APJ will sign and approve any TECs from the PJ. All contractors' TECs will be reviewed, approved and signed by the appropriate contract administrator.

The court's account payable staff has been instructed to not process any TECs for payment until the appropriate level supervisor reviews, approves and signs the TEC.

**Date of Corrective Action:** August 9, 2013

**Responsible Person:** Terese Johnson, Administrative Fiscal Officer

**2. Agree**

**Corrective Action Taken:** All traveling employees, managers, accounts payable staff and contractors will be receiving a memorandum with instructions on the proper information to include on their mileage claim forms, specifically; beginning and ending odometer readings (the lesser of the mileage between the courthouse or their home and the business destination), the specific reason/case information for the travel, as well as pertinent addresses and online maps (i.e., MapQuest) to support travel destinations and distances.

All traveling employees, managers, accounts payable staff and contractors will also receive training and a revised version of the court's travel policy which will include information on FIN Manual travel expense reimbursement requirements, AOC maximum reimbursement limits, types of travel expenses that are allowed and not allowed, as well as detailed instructions on the submittal of appropriate itemized receipts to support all travel expenses.

**Date of Corrective Action:** August 13, 2013

**Responsible Person:** Terese Johnson, Administrative Fiscal Officer

## **11.2 The Court Needs to Improve Its Procedures for Approving Business-Related Meal Expenditures**

### **Background**

The FIN Manual acknowledges that it is necessary for trial court judges and employees to occasionally conduct official court business during a meal. Thus, the FIN Manual, Policy No. FIN 8.05, defines the rules and limits that courts must observe when arranging or claiming reimbursement for meals associated with official court business. Specifically, to be reimbursable, these business meals must have the written advance approval of the presiding judge (PJ) or, if delegated in writing, the Court Executive Officer (CEO) or another judge. FIN 8.05, 6.2, states the following:

All business meal expenditures must be supported by an original receipt, reflecting the actual costs incurred and a completed-approved business-related meal expense form, memo, or e-mail authorizing the expenditure in advance. The business-related meal expense form, memo, or e-mail will include the following information:

- a. Date of the business meal(s).
- b. Scheduled start and end time of the meeting.
- c. Statement explaining the business purpose of the meeting.
- d. Category and duration of business meal. Example: Breakfast 8:00- 8:30 (30 min).
- e. Location/place of the business meal.
- f. Copy of the formal agenda, if applicable.
- g. List of expected attendees, their titles, and affiliations.

Business meal expenses not approved in advance by the PJ or his or her written delegate will be considered a personal expense and will not be reimbursed or paid. In addition, business meal expenses are not authorized for informal meetings or meetings with existing or potential vendors.

FIN 8.05, 6.4, also requires a business reason to keep the group together during the meal period. The court project manager or coordinator must explain on the business-related meal expense form why trial court business must be conducted during the meal period and could not be accomplished at any other time.

Further, FIN 8.05, 6.5, outlines the authorized business meal timeframes. For instance, breakfast is permissible if the business function begins by 8:30 a.m. and continues for at least three hours. Lunch is permissible during the noon hour for court wide functions that start no later than 11:00 a.m., have a business duration of at least three hours, and continue at least one hour after lunch. For example, the timeframes for an allowable lunch hour business meal would be the function starts at 11:00 a.m., lunch is from 12:00 p.m. to 1:00 p.m., and the business function concludes at 3:00 p.m.

Allowable business meal expenses vary depending on when, where, and how many people are involved with the meal or function. For further information regarding the specific requirements

for allowable business meal expenses, please see the following paragraphs in Policy No. FIN 8.05:

- 6.3, Business Meal Reimbursement via a Travel Expense Claim
- 6.4, Group Business Meals
- 6.5, Authorized Business Meal Timeframes
- 6.6, Authorized Business Meal Rates
- 6.7, Requests for Exceptions to Business Expense Guidelines
- 6.8, Unallowable Business Meal Expenses

### **Issues**

To determine whether the Court followed the business meal expense rules required by the FIN Manual, we interviewed appropriate Court staff regarding its business-related meal expense reimbursement practices. We also reviewed selected business-related meal expense transactions from fiscal year 2011-2012. Our review determined that the Court needs to improve its procedures to adequately account for and justify its business-related meal expenditures. Specifically, we noted the following:

1. The Court recorded business meal expense transactions in incorrect general ledger accounts. Specifically, for all six business-related meal expense transactions we selected to review, the Court recorded one expense transaction in general ledger (GL) account 929201— which is for in-state travel for employees, and five in GL 929205— which is for the purchase of in-state travel for judicial officers. Instead, the more appropriate general ledger account in which to record these expense transactions is GL 929205— which is for the purchase of meals/food for meetings, conferences, exhibits or shows.
2. The Court does not prepare and retain the documentation required for business meal expenses, as well as written advance approval by the PJ authorizing each business meal expense. Specifically, although five of the six business-related meal expense transactions we reviewed were for judges' meetings in which the PJ participated, the Court did not use a business-related meal form, memo, or e-mail to document the business need for the meal and to demonstrate written advance approval by the PJ of the business meal.
3. The Court also did not ensure that the business-related meals met the FIN Manual timeframe requirements. Specifically, for the one non-judges' meeting business-related meal expense we reviewed, the Court purchased lunch for individuals but did not document the timeframes associated with the business function. As a result, the Court cannot adequately demonstrate that the business function started at or before 11 a.m., the business portion endured for at least three hours, and business continued at least one hour after lunch.

### **Recommendations**

To ensure its business meal expenses are consistent with the AOC business meals policy and procedures and an appropriate and necessary use of public funds, the Court should consider the following:

1. Provide closer oversight of the business meal expenses to ensure that accounting records these expenses in their appropriate general ledger accounts.
2. Require staff to prepare the business-related meal expense form, memo, or email to document the pertinent information required by the FIN Manual needed to justify the necessity of the business meal. This information includes but is not limited to the function start and end time, a statement explaining the business purpose of the function, the reason why business could not be accomplished at a time other than during the meal period, and allowable expense amounts. In addition, when applicable, the supporting meeting agenda and sign-in logs for attendees, along with their titles and affiliations, should be attached to the business-related meal expense form to document the nature of the business meeting and the participants.

Written advance approval by the PJ, or written designee, of the business meal should also be documented on the business-related meal expense form, or alternate document, to demonstrate that the PJ or written designee reviewed and authorized the proposed business meal expense as an appropriate and necessary use of public funds.

3. Provide instruction to managers, supervisors, and accounts payable staff regarding the information and documentation necessary to review, approve, and record business-related meal expenses, including the business meal timeframe requirements and maximum reimbursement limits.

**Superior Court Response:** Terese Johnson, Administrative Fiscal Officer Date: 8/14/13

**1. Agree**

**Corrective Action Taken:** All future meal expenses will be recorded to the appropriate GL 929205 account.

**Date of Corrective Action:** August 14, 2013

**Responsible Person:** Terese Johnson, Administrative Fiscal Officer

**2. Agree**

**Corrective Action Taken:** The court will provide closer oversight to ensure that all business-related meal expense claims are pre-approved, in advance by the PJ or written designee, on a form that is in compliance with FIN Policy Nos. 8.05; 6.3, 6.4, 6.5, 6.6, 6.7, 6.8. Any supporting documentation to demonstrate that the business-related meal is an appropriate and necessary use of public funds will be attached to the expense claim form and when applicable will include the following attachments: meeting agenda and sign-in logs for attendees stating names, titles and affiliations.

**Date of Corrective Action:** August 14, 2013

**Responsible Person:** Terese Johnson, Administrative Fiscal Officer

**3. Agree**

**Corrective Action Taken:** Management and accounts payable staff have now been trained on the information and documentation required to review, approve and process business-related

meal expenses, including business meal timeframe requirements, maximum reimbursement limits. A new business-related meal expense claim form that incorporates all information required under the FIN Policy No. 8.05 is currently under development and will be completed by September 1, 2013.

**Date of Corrective Action Taken:** August 14, 2013, September 1, 2013

**Responsible Person:** Terese Johnson, Administrative Fiscal Officer

### **11.3 The Court Needs to Strengthen Its Invoice Review and Approval Procedures**

#### **Background**

As stewards of public funds, courts have an obligation to demonstrate responsible and economical use of public funds. As such, the FIN Manual provides trial courts with policy and procedures to ensure courts process invoices timely and in accordance with the terms and conditions of agreements.

Specifically, FIN 8.01 and FIN 8.02 provide uniform guidelines for courts to use when processing vendor invoices and individual claims (also referred to as invoices) for payment. These guidelines include procedures for preparing invoices for processing, matching invoices to purchase documents and proof of receipt, reviewing invoices for accuracy, approving invoices for payment, and reconciling approved invoices to payment transactions recorded in the accounting records.

Further, the annual Budget Act requires the Judicial Council to set statewide or regional rates and policies for payment of court interpreters. Accordingly, the Judicial Council issued the Payment Policies for Contract Court Interpreters to establish comprehensive payment policies for contract interpreters. These payment policies provide daily payment rates for contract interpreters while continuing to allow for local flexibility, such as compensating above the established rate to obtain services in unique or unusual circumstances. Unusual circumstances are defined as limited or no available interpreters in the needed language and the alternative is to continue the proceeding. In addition, these payment policies state that actual mileage is reimbursed when the interpreter travels 60 miles or more roundtrip from his or her place of business. Further, these policies state that extraordinary travel costs may be reimbursed only with advance approval of the court executive officer, or his or her designee.

#### **Issues**

To determine whether the Court adheres to the invoice processing policies and procedures in the FIN Manual, we interviewed appropriate Court staff regarding the Court's current invoice payment processing practices. We also reviewed selected invoices and claims paid in fiscal year 2011-2012 and identified the following weaknesses and areas of noncompliance:

1. The Court did not consistently follow the FIN Manual procedures for processing invoices and claims for payment. Specifically, of the 33 paid invoices and claims we selected to review, we noted the following:

- a. The Court could not provide a purchase order, contract, or agreement that corresponded to seven of the invoices we reviewed. As a result, we could not determine whether the Court paid the amounts it initially agreed to pay for these seven invoices.
- b. For seven invoices, the Court processed the invoices for payment without documentation, either with a receiving report for goods or signature on the invoice acknowledging the receipt and approval of acceptable services, that the Court received acceptable goods or services.
- c. For two invoices, the Court paid an amount that did not match the terms of the procurement document or court authorization as stated in its accounts payable files.
- d. For three invoices, the Court paid expenses that are not allowable per Rules of Court, rule 10.810. Specifically, one invoice was to pay for the cost of providing food to non-sequestered jurors. Although rule 10.810 allows meals for sequestered jurors, it does not allow the same for non-sequestered jurors.
- e. For one claim, the Court paid expenses although the claim did not provide sufficient information to substantiate services, such as applicable case numbers and names.
- f. For five claims, the Court paid the claims without requiring and reviewing the associated Court order that authorized the services. As a result, it could not demonstrate that it conducted a sufficient review of the claims to ensure that the Court authorized the services and the rates were appropriate before processing the claim for payment.
- g. For one claim, the Court paid the claim although the documentation did not sufficiently itemize the price per folio for originals versus copies. As a result, the Court is unable to determine if it is paying the correct rates.
- h. For two court interpreter claims, the Court could not provide a written court authorization for exceeding the Judicial Council established payment policies.
- i. For one of three court interpreter claims, contrary to Judicial Council policy, the Court reimbursed mileage that was less than 60 miles roundtrip from the Court. Although the Judicial Council policy provides courts with local discretion to pay above the daily payment rates to obtain services in unique or unusual circumstances, the policy's local discretion to pay more applies to daily payment rates, not to mileage reimbursement.
- j. For three of the court interpreter claims, the Court paid extraordinary travel costs (travel time). However, for all three claims, the higher payments were not pre-approved or documented in the Court's local policy.

### **Recommendations**

To ensure the Court can demonstrate responsible and economical use of public funds when processing invoices and claims for payment, it should consider the following:

1. Provide training and instruction to accounts payable staff to ensure they follow the uniform guidelines for processing invoices and claims for payment that are provided in the FIN Manual, Judicial Council's Payment Policies for Contract Court Interpreters, and Government Code for court reporters.

**Superior Court Response:** Terese Johnson, Administrative Fiscal Officer    Date: 8/27/2013

**Agree.**

**Corrective Action Taken:** The court will provide training and instruction to all accounts payable staff to ensure they understand and follow the uniform guidelines for processing invoices and claims for payment pursuant to the FIN Manual and Judicial Council's Payment Policies for Contract Court Interpreters, and the Government Code for court reporters.

Claims and invoices will not be paid without an appropriate purchase order, contract or agreement that matches the terms of the procurement document or court authorization. Further, the AFO will ensure that the appropriate management personnel reviews and signs any invoice or claim form after first verifying the court order or court authorization, and that the service or goods have been delivered, and that the documentation has sufficient detail as to applicable case numbers and names.

The court has now discontinued the practice of paying for donuts or any other non-sequestered juror food or meals.

We are a small, rural court, and at times have difficulties obtaining court interpreters to work in our court, especially in languages that are rarely required, such as Cantonese, which was the case identified in Issue 1.h, 1.i, and 1.j, and sometimes in more commonly requested languages, such as Spanish. This is especially true if the interpreter can travel out of town and receive more compensation than if they agreed to work for our court. The court will be drafting a new local policy that specifically allows for unique or unusual circumstances in hiring a court interpreter. Included in this policy will be instructions for obtaining a prior written court authorization for exceeding the Judicial Council established payment policies, for either an increase in daily payments or mileage reimbursement.

**Date of Corrective Action Taken:** August 27, 2013

**Responsible Person:** Terese Johnson, Administrative Fiscal Officer

## 12. Fixed Assets Management

### Background

The FIN Manual provides uniform guidelines for trial court to use when acquiring, capitalizing, monitoring, and disposing of assets. Specifically, trial courts must establish and maintain a Fixed Asset Management System (FAMS) to record, control, and report all court assets. The primary objectives of the system are to:

- Ensure that court assets are properly identified and recorded,
- Ensure that court assets are effectively utilized, and
- Safeguard court assets against loss or misuse.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2013	2012		
<b>Expenditures</b>				
922601 MINOR OFFICE EQUIPMENT/MA	1,013.62	1,984.02	(970.40)	-48.91%
922603 OFFICE FURNITURE - MINOR	2,494.08	3,669.37	(1,175.29)	-32.03%
922610 COMPUTER ACCESSORIES	0.00	1,342.09	(1,342.09)	-100.00%
922611 COMPUTER	0.00	12,237.51	(12,237.51)	-100.00%
922612 PRINTERS	0.00	6,793.44	(6,793.44)	-100.00%
922614 SECURITY SURVEILLANCE - M	718.41	0.00	718.41	100.00%
922616 CELL PHONES/PAGERS	37.48	0.00	37.48	100.00%
922699 MINOR EQUIPMENT - UNDER \$	12,895.16	16,536.69	(3,641.53)	-22.02%
* 922600 - MINOR EQUIPMENT - UNDER	17,158.75	42,563.12	(25,404.37)	-59.69%
945301 MAJOR EQUIPMENT - NON-IT	0.00	22,586.85	(22,586.85)	-100.00%
946601 MAJOR EQUIPMENT - IT	0.00	35,025.20	(35,025.20)	-100.00%
* 945200 - MAJOR EQUIPMENT	0.00	57,612.05	(57,612.05)	-100.00%

**Due to the size of the Court and other audit planning considerations, we did not review this area.**

### **13. Audits**

#### **Background**

There are many legal requirements and restrictions surrounding the use of public resources that can lead to audits of trial court operations and finances. The court shall, as part of its standard management practice, conduct its operations and account for its resources in a manner that will withstand audit scrutiny. During an audit, the court shall fully cooperate with the auditors to demonstrate accountability, efficient use of public resources, and compliance with all requirements. Substantiated audit findings shall be investigated and corrected in a timely fashion.

We reviewed prior audits conducted on the Court to obtain an overview of the issues identified and to determine during the course of our audit whether these issues have been corrected or resolved. Specifically, IAS performed an audit of the Court in FY 2007–2008. The review covered several functional areas, including court administration, fiscal management, cash handling, revenues and expenditures, information systems, exhibit room administration and security, and court building physical security. The review reported issues and recommendations in cash handling, court security, and other fiscal and operational areas. Some of the issues were resolved due to the Court migrating away from County financial systems, while remaining issues were revisited during our current review. Issues not yet corrected or repeat issues are identified in various sections of this report.

The State Controller's Office (SCO) performed an audit to determine the propriety of court revenues remitted to the State of California by Yuba County for the period July 1, 2004 to June 30, 2009. IAS found similar issues noted by the SCO during its audit of the Court's Revenue Distribution. Issues not yet corrected or repeat issues are identified in the Information Systems section of this report.

## 14. Records Retention

### Background

The FIN Manual establishes uniform guidelines for the trial court to retain financial and accounting records. According to the FIN Manual, it is the policy of the trial court to retain financial and accounting records in compliance with all statutory requirements. Where legal requirements are not established, the trial court shall employ sound business practices that best serve the interests of the court. The trial court shall apply efficient and economical management methods regarding the creation, utilization, maintenance, retention, preservation, and disposal of court financial and accounting records.

The table below presents account balances from the Court's general ledger that are considered associated with this section. A description of the areas and how they were reviewed as a part of this audit is contained below.

ACCOUNT	Total Funds as of June 30		\$ Inc. (Dec)	% Change
	2013	2012		
<b>Expenditures</b>				
935203 STORAGE	1,280.00	1,817.58	(537.58)	-29.58%

We assessed the Court's compliance with the record retention requirements provided in statute and proceduralized in the FIN Manual through a self-assessment questionnaire. Furthermore, we observed and evaluated the Court's retention of various operational and fiscal records throughout the audit.

**There were no issues associated with this section to report to management.**

## 15. Domestic Violence

### Background

In June 2003, the Joint Legislative Audit Committee (JLAC) requested IAS to conduct an audit of the court-ordered fines and fees in specified domestic violence cases in California. JLAC had approved an audit on the funding for domestic violence shelters based on a request from a member of the Assembly. As a part of the March 2004 report, IAS agreed to test the assessment of fees and fines in domestic violence cases on an on-going basis.

We identified the statutory requirements for assessments of criminal domestic violence fines, fees, penalties, and assessments, and obtained an understanding of how the Court ensures compliance with these requirements. We also reviewed a selected sample of criminal domestic violence convictions, and reviewed corresponding CMS and case file information to determine whether the Court assessed the mandated fines and fees.

**The following issue is associated with this section and considered significant enough to report to management.**

### 15.1 The Court Could More Consistently Impose Statutorily Required Domestic Violence Fines and Fees

#### Background

Domestic violence (DV) is one of the leading causes of injuries to women in the United States. A nationwide survey reported that nearly one-third of American women had reported being physically or sexually abused by their husbands or boyfriends at some time in their lives. Effects can also extend to the children of the victims, elderly persons, or any family members within the household.

In 2003, the Legislature held a public hearing to examine DV shelter services. DV shelters obtain funding not only from state and federal sources; they also receive funding from the fines ordered through judicial proceedings of DV cases. Legislative members expressed concerns about the wide disparities from county to county in the amount of resources available for shelter services, as well as concerns about the lack of consistency in the assessment of fines. As a result, the Joint Legislative Audit Committee requested that the Administrative Office of the Courts' Internal Audit Services (IAS) conduct an audit of court-ordered fines and fees in certain DV cases.

As a part of the audit report that IAS issued in March 2004, IAS agreed to review the fines and fees in DV cases on an on-going basis. For example, courts are required to impose or assess the following statutory fines and fees in DV cases:

- Penal Code (PC) 1202.4 (b) State Restitution Fine  
Effective January 2012, courts must impose a separate and additional State Restitution Fine of not less than \$240 for a felony conviction and not less than \$120 for a misdemeanor conviction in every case where a person is convicted of a crime. Courts

must impose this fine unless it finds compelling and extraordinary reasons for not doing so and states those reasons on the record. Inability to pay is not considered a compelling and extraordinary reason not to impose this restitution fine, but may be considered only in assessing the amount of the fine in excess of the minimum.

- PC 1202.44 (or PC 1202.45) Probation (or Parole) Revocation Restitution Fine  
Effective January 2005, courts must impose an additional Probation (or Parole) Revocation Restitution Fine in the same amount as the restitution fine imposed under PC 1202.4 (b) in every case in which a person is convicted of a crime and a probation (or parole) sentence is imposed. This additional fine is effective upon the revocation of probation or of a conditional sentence (or parole), and shall not be waived or reduced by the court, absent compelling and extraordinary reasons stated on record.
- PC 1203.097 Domestic Violence Fee  
Effective January 2004, if courts grant a person probation for committing a domestic violence crime, courts must include in the terms of probation a minimum period of probation of 36 months and a \$400 Domestic Violence Fee. The legislation that amended the Domestic Violence Fee from \$200 to \$400 sunset on January 1, 2010, but a bill enacted on August 13, 2010, amended the fee back to \$400. Courts may reduce or waive this fee if they find that the defendant does not have the ability to pay.
- PC 1465.8 (a)(1) Court Operations Assessment  
Effective July 28, 2009, courts must impose a \$30 (\$40 effective October 19, 2010) Court Security Fee on each criminal offense conviction. Effective June 30, 2011, this code section was amended to reflect the change from a court security fee to a court operations assessment.

### **Issues**

Our review of the case files for 30 criminal cases where the defendant was convicted of a DV charge (DV cases) from January 2012 through December 2012 found that the Court did not always impose the correct fines and fees. Specifically, our review noted the following exceptions:

- For one of 25 applicable cases with probation that we reviewed, the Court did not impose the minimum 36 months probation period per Penal Code section 1203.097(a)(1).
- For three of 25 applicable cases with probation that we reviewed, the Court did not assess the correct Domestic Violence Fee amount per Penal Code section 1203.097(a)(5). Specifically, the Court did not assess the Domestic Violence Fee for one case, and assessed \$200 instead of the \$400 that was in effect at the time of sentencing for two other cases.
- For one of 27 applicable cases that was assessed a State Restitution Fine and that we reviewed, the Court did not assess the correct State Restitution Fine (PC 1202.4(b)) amount, and thus also did not assess the correct Probation Revocation Restitution Fine

(PC 1202.44) amount. Specifically, the Court assessed \$100 instead of the \$120 that was in effect at the time of violation and sentencing.

- For two of the 27 applicable cases that we reviewed, the Court did not assess the correct Court Operations Fee amounts. Specifically, one case with three convictions was assessed only \$40 instead of \$40 per conviction for a total of \$120 for the three convictions. Similarly, the second case had two convictions, but was assessed only \$40 instead of \$80 for the two convictions.
- For one of the 27 applicable cases that we reviewed, the Court also did not assess the correct Criminal Conviction Assessment amount. Specifically, the case had two convictions, but the Court assessed only \$30 instead of \$30 per conviction for a total of \$60 for the two convictions.

### **Recommendations**

To ensure it consistently imposes the statutorily required minimum fines and fees on criminal DV cases, the Court should consider the following:

1. Refer to an updated bench schedule of minimum fines and fees to assist judicial officers in assessing the correct DV fine and fee amounts. In addition, it should consider inserting these updated minimum fine and fee amounts on the official order of probation forms to further ensure the assessment of correct fine and fee amounts.
2. Document in DV case minute orders, and also its case management system, any compelling and extraordinary reasons, waivers, and determinations from financial hearings to support why the Court did not impose the statutory minimum fines and fees.

**Superior Court Response:** Bonnie Sloan, Court Division Manager Date: 7/22/13

**Agree.**

**Corrective Action Taken:** The inconsistency in applying domestic violence fines and fees was unintentional. An updated bench schedule with current minimum domestic violence fines and fees will be provided to judicial officers.

Probation orders have been updated to include the minimum domestic violence fine/fees. Any compelling and extraordinary reasons, waivers and financial determinations as to why the minimum fines/fees were not ordered will be noted on both the clerk's minutes and entered into the case management system.

**Date of Corrective Action Taken:** August 22, 2013

**Responsible Person:** H. Stephen Konishi, CEO; Bonnie Sloan, Court Division Manager

## 16. Exhibits

### **Background**

Exhibits are oftentimes presented in both criminal and civil cases. Trial courts are responsible for properly handling, safeguarding, and transferring these exhibits. Trial court and security personnel with these responsibilities should exercise different levels of caution depending on the types of exhibits presented. Compared to paperwork and other documents, extra precautions should be taken when handling weapons and ammunition, drugs and narcotics, money and other valuable items, hazardous or toxic materials, and biological materials.

A best practice for trial courts is to establish written Exhibit Room Manuals (manual). These manuals normally define the term “exhibit” as evidence such as papers, documents, or other items produced during a trial or hearing and offered in proof of facts in a criminal or civil case. While some exhibits have little value or do not present a safety hazard, such as documents and photographs, other exhibits are valuable or hazardous and may include: contracts or deeds, weapons, drugs or drug paraphernalia, toxic substances such as PCP, ether, and phosphorus, as well as cash, jewelry, or goods such as stereo equipment. To minimize the risk of exhibits being lost, stolen, damaged, spilled, and/or disbursed into the environment, a manual should be prepared to guide and direct exhibit custodians in the proper handling of exhibits. Depending on the type and volume of exhibits, the manual at superior courts can be minimal in length or very extensive. Manuals would provide practices and procedures that direct exhibit custodians in the consistent and proper handling, storing, and safeguarding of evidence until final closure of the case.

We evaluated controls over exhibit handling and storage by interviewing court managers and staff with exhibit handling responsibilities, reviewing the Court’s exhibit handling policy and procedures, and observing the physical conditions of exhibit storage areas. We also validated selected exhibit record listings to actual exhibit items and vice-versa to determine whether all exhibit items have been accurately accounted for and to evaluate the efficacy of the Court’s exhibit tracking system

**There were no significant issues associated with this section to report to management. Minor issues are contained in Appendix A to this report.**

## 17. Bail

### Background

In general, bail is used to ensure the presence of the defendant before the court and is most commonly submitted in the form of cash or a surety bond. Surety bonds are contracts guaranteeing that specific obligations will be fulfilled and may involve meeting a contractual commitment, paying a debt, or performing certain duties. Bail bonds are one type of surety bond. If someone is arrested on a criminal charge he may be held in custody until trial, unless he furnishes the required bail. The posting of a bail bond acquired by or on behalf of the incarcerated person is one means of meeting the required bail. When a bond is issued, the bonding company guarantees that the defendant will appear in court at a given time and place. Bail bonds are issued by licensed "Bail Agents" who specialize in their underwriting and issuance and act as the appointed representatives of licensed surety insurance companies. California Rules of Court (CRC) 3.1130(a) outlines certain conditions for insurance companies to meet prior to being accepted or approved as a surety on a bond:

A corporation must not be accepted or approved as a surety on a bond or undertaking unless the following conditions are met:

- The Insurance Commissioner has certified the corporation as being admitted to do business in the state as a surety insurer;
- There is filed in the office of the clerk a copy, duly certified by the proper authority, of the transcript or record of appointment entitling or authorizing the person or persons purporting to execute the bond or undertaking for and in behalf of the corporation to act in the premises, and
- The bond or undertaking has been executed under penalty of perjury as provided in Code of Civil Procedures section 995.630, or the fact of execution of the bond or undertaking by the officer or agent of the corporation purporting to become surety has been duly acknowledged before an officer of the state authorized to take and certify acknowledgements.

Further, Penal Code Sections 1268 through 1276.5, 1305, and 1306 outline certain bail procedures for trial courts to follow such as annual preparation, revision, and adoption of a uniform countywide bail schedule and processes for courts to follow when bail is posted.

We interviewed Court managers and staff to determine the Court's processes in establishing and tracking bail as well as validating posted bail bonds. We also reviewed the County Uniform Bail Schedule and selected case files where bail was posted to determine compliance with CRC and applicable Penal Code Sections.

**There were no significant issues associated with this section to report to management. Additional minor issues are contained in Appendix A to this report.**

**APPENDIX A**

**Issue Control Log**

**Superior Court of California,  
County of Yuba**

**Note:**

**The Issue Control Log summarizes the issues identified in the audit. Any issues discussed in the body of the audit report are cross-referenced in the “Rpt No.” column. Those issues with “Log” in the “Issue Memo” column are only listed in this appendix. Additionally, issues that were not significant enough to be included in this report were discussed with Court management as ‘informational’ issues.**

**Those issues that are complete at the end of the audit are identified with a ‘C’ in the column labeled C. Issues that remain open at the end of the audit have an ‘I’ for incomplete in the column labeled I and have an Estimated Completion Date.**

**Internal Audit Services will periodically follow-up with the court to update the status of the corrective efforts indicted by the court.**

**August 2013**

FUNCTION		RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
1	<b>Court Administration</b>								
		1.1		<b>The Court Needs to Improve Its Procedures to Ensure that Submitted Causes are Decided Timely</b>					
			5	The Court's list of cases with causes under submission does not group the cases by the length of time the pending cause has been under submission, such as 30 through 60 days-old, 61 through 90 days-old, and over 90 days-old, as required by rules of court. According to the Court, its CMS will not run this type of aging report.		C	Agree. The Court stated a report was created for the administrative analyst, to be run monthly, that will list information on all cases under submission in the case management system, to include the case name and number, the judge's name, and date the matter was taken under submission, and report those cases by the following day ranges: 11-29 days, 30-60 days, 61-90 days, and 91+ days. As a back-up procedure, the administrative analyst will use both a manual and automated (case management system) tickler system.	Bonnie Sloan, Court Division Manager and Lisa Sparks, Administrative Analyst	July 2013
			5	Four of the ten cases we reviewed had matters under submission for longer than 90 days. Specifically, one matter was under submission for 91 days, two for 92 days, and one for 93 days. In two cases, the court clerk provided an incorrect date to the judge for when the cause would be under submission for 90 days and a decision due. The incorrect date provided to the judge was actually past the 90th day. For the other two cases, the court could not locate e-mails informing the judge that the 90 days was approaching. Therefore, we could not determine whether the reason the judge exceeded the 90 days was due to judge oversight or clerical error.		C	Agree. The Court stated that each month, the "under submission" report will be created by the administrative analyst and distributed to the presiding judge (PJ). After the PJ's review, the PJ will forward the complete report to each judge. The PJ will also contact each judge with a case under submission over 30 days to discuss ways to ensure that the cause is timely decided, and for matters over 60 days, the PJ will discuss ways to provide assistance to ensure the cause can be timely decided, per the California Rules of Court.	Bonnie Sloan, Court Division Manager and Lisa Sparks, Administrative Analyst	July 2013
2	<b>Fiscal Management and Budgets</b>								
			Log	Four of four employees receiving in lieu of health insurance money do not have documentation in their personal files to support they opted out of health insurance.		C	Agree. The Court states it now has documentation on all employees that are waiving health insurance.	Terese Johnson, Administrative Fiscal Officer	October 2013
			Log	The payroll duties are not sufficiently segregated to minimize the risk of paying unauthorized amounts or fictitious employees. Specifically, the administrative fiscal officer prepares payroll information transmitted to the county, picks up and delivers checks, and performs the payroll reconciliation.	I		Agree. The Court states the payroll will be processed by the fiscal officer and approved by the CEO. In addition, the checks will be physically distributed by the court managers to the staff.	Terese Johnson, Administrative Fiscal Officer	November 2013
			Log	Although the Court monitors cash flow, it does not monitor actual expenditures against its annual budget.	I		Agree. The Court states it will be reviewing its budget monitoring procedures.	Terese Johnson, Administrative Fiscal Officer	December 2013
3	<b>Fund Accounting</b>			<b>No issues to report.</b>					

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
4	Accounting Principles and Practices							
		4.1	<b>The Court Needs to Improve Its Accounting and Reporting of Financial Transactions</b>					
		9	County Fund #242 holds daily collection money and was booked to a trust fund on June 30, 2013. These monies (\$149,077) should have been booked to an agency fund.	I		Agree. The Court stated that in the future, these distribution funds will be recorded and reported in an agency fund. The court is in discussions with the AOC Phoenix group to transfer this account to an AOC agency fund account. This account's reconciliation is current. In addition, it will assign the responsibility for the balancing all accounts to a designated person with an internal review process assigned to a qualified supervisor or manager. The court will provide comprehensive training to the accounting staff to ensure their qualifications to perform the duties required under FIN 2.01 and FIN 5.01.	Terese Johnson, Administrative Fiscal Officer, Renee Danielson, Court Division Manager, and H. Stephen Konishi, Court Executive Officer	May 2014
		9	County Fund #243 holds the Court's share of Microfiche revenue. This money (\$20,337) was booked to a trust fund on June 30, 2013. Any portion of these restricted monies should have booked to a special fund.	I		Agree. The Court stated that in the future, the microfiche automation funds will be recorded and reported in a special revenue fund. The court is in discussions with the AOC Phoenix group to transfer this account to an AOC special revenue fund account. This account's reconciliation is current.	Terese Johnson, Administrative Fiscal Officer, Renee Danielson, Court Division Manager, and H. Stephen Konishi, Court Executive Officer	May 2014
		9	County Fund #269 holds revenue derived from a \$7 fee on warrants, and on June 30, 2013, it was booked to a trust fund. However, these monies (\$83,401) are county monies and not court monies so the Court should not have included it in the Court's financial statements.	I		Agree. The Court stated that the automated warrant account is currently under review to determine what, if any, court funds may have been transferred into the account. Upon determination of the proper fund balance, the court will transfer related documentation and records to the county for their future care and control of the account.	Terese Johnson, Administrative Fiscal Officer, Renee Danielson, Court Division Manager, and	May 2014
		9	County Fund #359 holds the 10 percent restitution rebate monies and was booked to a trust fund on June 30, 2013. Per the Court's collection MOU with the County, this money should be used for enhanced collection efforts. The monies (\$128,809) restricted for a specific purpose should be booked to a special revenue fund and restricted in fund balance as use of these funds is constrained by contractual agreement with an external party.	I		Agree. The Court stated that in the future, the 10% victim restitution rebate account will be recorded and reported as a restricted, special revenue fund. The court is in discussions with the AOC Phoenix group to transfer this account from the county treasury to an AOC restricted, special revenue account. This account's reconciliation is current. The court will also review its contractual agreement with the county regarding the collection of victim restitution.	Terese Johnson, Administrative Fiscal Officer, Renee Danielson, Court Division Manager, and H. Stephen Konishi, Court Executive Officer	May 2014
		9	The Court has represented to IAS that some money held in county Fund #389 is derived from sanctions ordered against attorneys. Most sanctions are ordered under the authority granted by CCP 177.5, and should be distributed to the State in accordance with SCO Schedule C. Therefore, these sanction monies should be recorded in an agency fund, rather than a trust fund, and not held but instead distributed to the State.	I		Agree. The Court stated that in the future, sanction funds will be recorded and reported in an agency fund to be distributed to the SCO monthly. The court is in discussions with the AOC Phoenix group to transfer this sanction account from the county treasury to an AOC agency fund account. This transfer will also enable the court to access account information and complete the reconciliation process.	Terese Johnson, Administrative Fiscal Officer, Renee Danielson, Court Division Manager, and H. Stephen Konishi, Court Executive Officer	May 2014
		9	For FY 2012-13, the Court failed to report \$120,948 in agency money held outside the AOC treasury on their Phoenix general ledger, an amount equal to 6.5 percent of reported assets at June 30, 2013. In addition, it reported \$83,401 in trust monies that it should not have included because it is County money.	I		Agree. The Court stated that in the future, the court will record and report the enhanced collection funds in an agency fund. The court is in discussions with the AOC Phoenix group to transfer this account to an AOC agency fund account. This account is currently balanced by the Shasta Superior Court Collections agency.	Terese Johnson, Administrative Fiscal Officer, Renee Danielson, Court Division Manager, and H. Stephen Konishi, Court Executive Officer	May 2014

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		9	The Court does not properly reconcile County Fund #103 to the Phoenix general ledger. The Court's reconciliation documents do not demonstrate accountability of total activity for a given period within the general ledger and the County ledger with a listing of reconciling items to explain differences. Since the reconciliation process is not performed correctly, there is a higher risk that errors will not be caught in a timely manner and the accounts will no longer balance. Furthermore, the reconciliation serves as a vital cross-walk document between physical assets in the treasury and reported assets to support the accuracy of reported assets within the accounting system. The reconciliation should bear the approving signature of the reviewing Administrative Fiscal Officer.	I		Agree. The court stated it will review its account reconciliation process as well as an internal review process. The court will seek assistance for training to accounting staff as to proper reconciliation procedures.	Terese Johnson, Administrative Fiscal Officer and H. Stephen Konishi, Court Executive Officer	May 2014
		9	Our reconciliation of County Fund #103 to the Phoenix general ledger account 120001, Cash with County, in fund 110001 found an unreconciled amount of \$370.14 that was present at both fiscal year-ends in 2012 and 2013.	I		See response above.	Terese Johnson, Administrative Fiscal Officer and H. Stephen Konishi, Court Executive Officer	May 2014
5	Cash Collections							
		5.1	<b>The Court Could Strengthen Some of Its Cash Handling Procedures</b>					
		1	Access to the change fund is not limited to the change fund custodian and a designated back-up who exercises responsibility for the change fund in the custodian's absence. Instead, in the absence of the change fund custodian, change can also be made by two division managers, three senior clerks, the Administrative Fiscal Officer, and the Fiscal Analyst.	I		Agree. The Court stated the former Change Fund Custodian was the Court Division Manager who prepares the daily collections deposits. However, the Court assigned the duties to a new Change Fund Custodian that will be the Criminal Division Senior Clerk and the back-up is the Jury Court Clerk III, neither of which have any other cash-handling responsibilities.	Renee Danielson, Court Division Manager	September 2013
		1	The change fund is not always secured in a safe during the day as required by FIN Policy No. 10.02, section 6.3.1, for change funds in excess of \$500.	I		Agree. The Court reduced the amount of the change fund to \$490.00 and increased six cashier bags to \$110.00, therefore reducing the need for a larger amount of change on hand. The locking change fund bag will remain in possession of the Change Fund Custodian during the workday and will be reconciled daily with another manager and locked in the safe within the secured safe room at night.	Renee Danielson, Court Division Manager	September 2013
		1	The change fund custodian has other cash handling responsibilities contrary to FIN Policy No. 10.02, section 6.3.1. The change fund custodian also compiles the daily deposit, an incompatible cash handling duty.	I		See response above.	Renee Danielson, Court Division Manager	September 2013
		1	Although the Court's written procedures require supervisor review and approval of void transactions, there was no evidence of supervisor review and approval for eight of the ten void transactions we reviewed.		C	Agree. The Court stated training has been completed with staff and supervisors to ensure that all void transactions will be approved by a senior clerk or manager at the time of the transaction. At the time of the voided transaction, a senior clerk or manager will initial and draw a line through the voided transaction on the receipt tape. During the closeout review of the daily collections, the supervisor will ensure that all voided receipts are attached to the balance till report, as well as any overage or shortage slips. All voided transactions will also be reviewed by the employee that prepares the bank deposit for the daily collections.	Renee Danielson and Sheila Roberts, Court Division Managers	July 2013

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		1	During our review of void transactions, the Court's daily receipts documentation indicated that the clerk's ending balance agreed to the CMS. However, upon closer review, we determined that the clerk actually did not balance at the end of the day because of over rings. The audit trail preserved in the daily receipts was insufficient to precisely identify the shortage presented by the clerk and the steps the Court took to bring the clerk's till into balance the next day.		C	Agree. The Court states that all daily till closeout documents, including shortage/overage slips, will be retained for future reference, even when and if the shortage/overage error is determined and subsequently corrected. Likewise, the corresponding general ledger account will be credited/debited daily for overages or shortages, with a correcting general ledger credit or debit subsequently entered if the error should be found the next day or later, to preserve an appropriate audit trail.	Renee Danielson and Sheila Roberts, Court Division Managers	July 2013
		1	The Court's Handwritten Receipt Book Log was incomplete. Specifically, the column documenting an authorizing signature for issuance of the receipt book was signed once out of sixteen instances of receipt book issuance.		C	Agree. The Court states that training has been completed with staff and supervisors regarding the appropriate location of the receipt book, as well as the proper entries to make on the Handwritten-Receipt Book Log. In addition, a written policy has been created and distributed to staff with cash drawer assignments. The receipt book, and Handwritten-Receipt Book Log, is now kept inside the safe when not in active use. Upon issuance of the receipt book, the receipts will be used sequentially. A Handwritten-Receipt Book Log has been created that properly identifies the receipt number, time of book issuance and return, and is initialed by the supervisor. The subsequent and corresponding CMS receipt number will also be noted on the Handwritten-Receipt Book Log. Compliance will be checked during the month-end accounting process each month.	Renee Danielson and Sheila Roberts, Court Division Managers	July 2013
		Log	Two senior clerks in the civil department hold the incompatible duties of setting up cases, processing customer remittances, and approving void transactions.		C	Agree. The Court states that the two senior clerks are no longer authorized to approve void transactions.	Sheila Roberts, Court Division Manager	October 2013
		Log	The Court does not maintain a log of safe combination changes.		C	Agree. The Court states it has created a new safe combination log, and a new procedure that will ensure the combination is changed periodically, as well as when an employee's assignment no longer requires access to the safe.	Terese Johnson, Administrative Fiscal Officer	March 2013
		Log	The Court does not perform monthly random surprise cash counts.		I	Agree. The Court states it has created a new procedure for the managers to do monthly random surprise cash drawer counts. A new log has been created to document the compliance with all cash drawer counts.	Sheila Roberts, Court Division Manager	January 2014
		Log	As of the time of our review in February 2013, the Court is four months behind in its monthly deposit reconciliation process. The Court's last complete reconciliation was for October 2012.		C	Agree. The Court states it became current as of May 2013, and remains current to date.	Renee Danielson, Court Division Manager	May 2013
		Log	No secondary review of the deposit is indicated on the deposit forms before it is sealed and sent to the County Treasurer's Office for deposit.		C	Agree. The Court states a new procedure has been established requiring a secondary review of the bank deposits, as well as a second signature on the sealed deposit bag. A new form was also created for a cash verification of the deposit, requiring signatures of both the depositor and verifier.	Terese Johnson, Administrative Fiscal Officer	October 2013
	5.2		<b>The Court Does Not Ensure that the Collection Efforts It Performs for the County Are Cost Effective to the Court</b>					
		11	The Court entered into an MOU with the County to perform collection services that are the responsibility of the County but did not conduct a cost benefit analysis to ensure it was cost beneficial to the Court.		I	Agree. The Court states a cost benefit analysis was not completed prior to entering into an MOU with the county for providing county collections services. However, the court will review the current MOU, California Rules of Court 10.810, Penal Code 1463.007, and associated collections costs to determine if continuing county collection services is appropriate or warranted.	Sheila Roberts, Court Division Manager and H. Stephen Konishi, Court Executive Officer	April 2014

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		<b>Log</b>	Two of six applicable cases reviewed, the Court did not place an FTA/FTP DMV hold due to no appearance in Court or non-payment, prior to referral to the third-party collections.	<b>I</b>		Agree. The Court states the collections and traffic staff will be retrained on the established processes that are required prior to outsourcing accounts to our third-party collections agency.	Sheila Roberts, Court Division Manager	January 2014
		<b>Log</b>	One of nine applicable cases reviewed the Court did not issue an additional civil assessment fee when the defendant failed to pay. The case was referred to court collections in January 2010, then to the third-party collections in October 2012, but the civil assessment was not imposed at the time of our review in May 2013.	<b>I</b>		See response above.	Sheila Roberts, Court Division Manager	January 2014
<b>6</b>	<b>Information Systems</b>							
	<b>6.1</b>		<b>The Court Did Not Distribute Certain Collections in Accordance with Statutes and Guidelines</b>					
		<b>10</b>	The Court did not apply the correct GC 76104.7 - Additional State DNA penalty assessment (State DNA). Specifically, the State DNA started at \$1 for every 10 (\$1 per 10) but increased to \$3 per 10 on June 10, 2010, and again to \$4 per 10 on June 27, 2012. However, the Court did not implement the increases in a timely manner, resulting in the Court using a lower State DNA penalty amount on one case almost two years after the effective date of the increased State DNA penalty.		<b>C</b>	Agree. According to the Court, changes are made in financial codes as soon as the information is available to the court. This complex task must be done carefully to ensure all codes are correct in their distributions and is further complicated by the lack of timely information provided to the court. As always we will continue to change the codes as quickly and correctly as possible and will work to proactively track pending legislation changes that affect distribution calculations. The noted distributions have been corrected.	Renee Danielson, Court Division Manager	November 2013
		<b>10</b>	The Court did not assess the correct DV fee pursuant to PC 1203.097. Effective 1/1/13, the DV fee increased from \$400 to \$500, but the Court continued to impose the older \$400 DV fee 8 months after the statutory change.		<b>C</b>	See response above.	Renee Danielson, Court Division Manager	November 2013
		<b>10</b>	The Court distribution of the DV fee is incorrect. The Court distribution percentages are outdated as it used the distributions that were applicable when the DV fee was still \$200, wherein 1/3 is distributed to the County and 2/3 is distributed to the State. However, when statute increased the DV fee to \$400 on August 13, 2010, the distribution also changed to 2/3 to the County and 1/3 to the State. This distribution still applies to the current \$500 DV fee.		<b>C</b>	See response above.	Renee Danielson, Court Division Manager	November 2013
		<b>10</b>	The Court continues to assess the GC 76000(a) \$7 for 10 local penalty even though GC 76101 - LCCF of \$4 has expired because the county paid off its facilities bonded indebtedness on June 30, 2011. Instead, the Court should now assess the GC 76000(e) \$3 for 10 local penalty.	<b>I</b>		Agree. The Court stated that unfortunately this information was not communicated to the court until training at the AOC. There are issues as to how this information can be better distributed to each individual court. The court will contact the county regarding this change so that it may evaluate the potential impact on county distributions.	Renee Danielson, Court Division Manager	March 2014
		<b>10</b>	The Court did not apply the GC 68090.8 – 2 percent State Automation to the PC 1463.22 deposits from the POI base fine. These deposits are made from the base fine so are subject to the 2 percent transfer.	<b>I</b>		Agree. The Court stated the 76000.10 \$4 EMAT penalty distribution was corrected on November 1, 2013. The DUI violations, and PC 1463.4(1), 1463.16, 1463.18, and 1463.22 are under review will be corrected.	Renee Danielson, Court Division Manager	November 2013 and January 2014
		<b>10</b>	The GC 68090.8 - 2 percent State Automation is not transferred from the GC 76000.10 - \$4 EMAT penalty.	<b>I</b>		See response above.	Renee Danielson, Court Division Manager	January 2014
		<b>10</b>	The GC 68090.8 - 2 percent State Automation is not transferred from PC 1463.14(a) of \$50, PC 1463.16 of \$50 and PC 1463.18 of \$20. Because these amounts are special distributions from the base fine, the nature of the fine does not change and the 2 percent State automation applies.	<b>I</b>		See response above.	Renee Danielson, Court Division Manager	January 2014
		<b>10</b>	The Court did not reduce the Proof of Financial Responsibility base fine by the special deposits that are made from the base fine; thus, the Court calculated and used incorrect distribution percentages.	<b>I</b>		See response above.	Renee Danielson, Court Division Manager	January 2014

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		10	The Court did not apply the PC 1463.11 - Red light 30 percent allocation to the GC 76000.10 - EMAT penalty.	I		See response above.	Renee Danielson, Court Division Manager	January 2014
		10	The Court distributed Red Light traffic school cases as a PC 1463.11 Red Light bail forfeiture case rather than distribute according to VC 42007.3 for Red Light traffic school cases.	I		Agree. The Court stated this distribution is under review and will be corrected by the second quarter 2014.	Renee Danielson, Court Division Manager	March 2014
		10	For traffic school cases, EMAT and DNA penalties are distributed as penalties instead of being included as a part of the VC 42007 TVS fee distribution to the County General fund.	I		See response above.	Renee Danielson, Court Division Manager	March 2014
		10	For traffic school cases, the Court incorrectly distributed \$1 to the local CCF. Because the LCCF has expired due to the county fully paying its bonded indebtedness, the \$1 should be remain as a part of the VC 42007 TVS fee that is distributed to the County General fund.	I		See response above.	Renee Danielson, Court Division Manager	March 2014
		10	For a speeding traffic school case we reviewed, the Court calculated incorrect distribution percentages for its financial codes, resulting in inaccuracies among the distribution components. Most importantly, no VC 42007 TVS fee distribution was made to the County General fund.	I		See response above.	Renee Danielson, Court Division Manager	March 2014
		10	The Court did not enhance the base fine for priors, thus understating the base fine, penalties (excluding EMAT penalty), State surcharge, and 2 percent automation distributions.	I		See response above.	Renee Danielson, Court Division Manager	March 2014
		10	Also, the Court treats the PC 1463.14(a), PC 1463.16 and PC 1463.18 as additional fees rather than as special distributions taken from the base fine. Thus, the Court calculated distribution percentages among base fines, penalties and surcharge are inaccurate.	I		See response above.	Renee Danielson, Court Division Manager	March 2014
		10	The VC 40611 distribution is incorrect for a citation with multiple violations disposed as a proof of correction. In a single citation with multiple POC violations, the remainder of the fees collected after the first \$10 is distributed to the State ICNA regardless of the number of proof of correction violations. The Court incorrectly distributed each violation within the citation as separate POC violations.	I		See response above.	Renee Danielson, Court Division Manager	March 2014
		10	The Court deducted the \$7 FTA assessment from the total fine rather than add the assessment to the total fine. As a result, the Court understated distributions to fines, penalties, and assessments.	I		See response above.	Renee Danielson, Court Division Manager	March 2014
		10	The Court does not follow the required distribution priorities for installment payments. Pursuant to PC 1203.1d, after victim restitution, the second distribution priority is the 20 percent surcharge, third priority is fines, penalties and restitution fines, and last priority is other reimbursable costs including court operations and criminal conviction assessments. However, distributions of installment payments on three cases demonstrate the Court distributed collections to fines before the 20 percent surcharge.		C	Agree. The Court stated the financial codes set without special fund collections are set correctly; victim restitution and 20% surcharge are paid first. When the financial code corrections are made in early 2014 the 20% surcharge will be corrected on these few financial codes. Victim restitution is added separately to each case and therefore is the very first item paid on a case.	Renee Danielson, Court Division Manager	November 2013
		Log	The Court does not limit access to the JALAN distribution tables to only personnel requiring access. Only one manager is knowledgeable and responsible for updating and modifying the crim/traffic distribution tables; however, the Court also provides access to these tables to two other managers.	I		Agree. The Court states that two other managers are required to make changes to other tables that are located in the same part of the CMS program where the distribution codes are located. The CMS program can track any changes to the distributions and financial codes. One other manager will serve as a back-up to the manager that creates the distribution and financial codes and will be utilized in the succession plan as noted below.	Renee Danielson, Court Division Manager and Bonnie Sloan, Human Resources	November 2013

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		Log	The Court does not have appropriate change control procedures for its distribution tables. Specifically, the same person that calculates the distribution percentages also enters them into the system tables without anyone assigned to monitor or verify the changes. As a result, the security and accuracy of the changes are at risk of error.	I		Agree. The Court states that changes to any distribution or financial codes will be kept and scanned into the managers drive on the computer. After a succession plan is implemented, another manager will be appointed as the review and oversight person for distribution and financial codes.	Renee Danielson, Court Division Manager/Bonnie Sloan, Human Resources	October 2013
		Log	The Court does not have a transfer of knowledge or succession planning strategy for its distribution calculations process. Only one person is knowledgeable of criminal and traffic revenue calculation and distribution, which poses significant business risk should the person leave employment with the Court.	I		Agree. The Court states that with the retirement of the deputy CEO and the future of the court to be considered during the next year, a plan for court succession will be devised and implemented.	Renee Danielson, Court Division Manager/Bonnie Sloan, Human Resources	June 2014
		Log	The Court's distribution percentages for DUI, RD, and POI cases applicable at the time of the violation date of the case reviewed were incorrect resulting in distribution inaccuracies. The Court subsequently corrected most of the distribution percentages in its current distribution tables.	I		Agree. The court will make the appropriate corrections.	Renee Danielson, Court Division Manager	January 2014
		Log	For the Red Light cases we reviewed, the Court rounded the distribution percentages to only two decimal places causing minor distribution discrepancies. The Court should consider rounding percentages to at least four decimal places to further minimize the variances between its calculated distributions and standard distributions.	I		See response above.	Renee Danielson, Court Division Manager	January 2014
		Log	For the Fish and Game and Child Seat JALAN financial distribution codes we reviewed, the Court's distribution percentages are slightly incorrect because of a calculation error. The Court understated the GC 76000(a) LCJF penalty by \$1 which consequently overstated the percentages for the remaining distribution components.	I		See response above.	Renee Danielson, Court Division Manager	January 2014
		Log	For the Red Light and Fish and Game JALAN financial code distribution percentages we reviewed, the financial code distribution percentages are inconsistent with the Court's calculations. Both of these percentages should be consistent because, as a process, the Court calculates the distribution percentages then enters these percentages into the JALAN financial codes.	I		Agree. The Court will review this financial code and distribution, as the CMS program required changes to balance to a 100% distribution.	Renee Danielson, Court Division Manager	January 2014
		Log	The Court's PC 853.7a FTA assessment of \$7 is less than the statutory requirement of \$15. Further, the Court nor the county could provide a Board of Supervisor resolution to demonstrate board authorization of this assessment.	I		Agree. The Court states that the county is unable to provide the court with a resolution by their Board of Supervisors. In addition, the court is unable to determine the exact date of the \$7.00 assessment, however, the county Board of Supervisors has not adopted a resolution increasing the assessment to \$15.00, according the county auditor representative.	Renee Danielson, Court Division Manager	November 2013
		Log	The Court labeled the \$4 EMAT penalty in the JALAN financial code as an EMS penalty. Although this financial code distributes collections to a State account, labeling the financial code as an EMS penalty makes it unclear that the distribution is to the State EMAT fund, and increases the risk of a distribution error should this financial code be confused with one of the other two county EMS financial codes.	I	C	Agree. The Court states this change has been completed.	Renee Danielson, Court Division Manager	November 2013
		Log	The Court does not have procedures in place to notify employees once the business continuity plan has been triggered.	I		Agree. The Court's COOP manual is currently under development and has passed 13 of the 16 criteria as reviewed by the AOC contracting company BoldPlanning. The remaining 3 criteria are in the "yellow" phase and near the approval stage. Notification of employees will be covered in the COOP manual.	Robert Burrell, Safety Officer	June 2014
		Log	The Court's business continuity plan does not address both short-term and long-term recovery scenarios.	I		See response above.	Bob Burrell, Safety Officer	June 2014

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		<b>Log</b>	The Court's business continuity plan requires county services during the execution of the plan, but the service levels the county agreed to provide are not memorialized in an MOU with the county.	I		See response above.	Bob Burrell, Safety Officer	June 2014
		<b>Log</b>	The business continuity plan is not tested periodically and the results documented. According to the Court, this will be done once it completes the business continuity plan.	I		Agree. The Court's COOP manual is currently under development and has passed 13 of the 16 criteria as reviewed by the AOC contracting company BoldPlanning. The remaining 3 criteria are in the "yellow" phase and near the approval stage. The COOP manual will require periodic testing and documented results.	Bob Burrell, Safety Officer	June 2014
		<b>Log</b>	Evacuation plans are in place, but they have not been tested since 2010. According to the Court, the Sheriff's office cancelled the last two tests.	I		Agree. The Court has been unable to successfully coordinate an evacuation exercise drill over the past few years with the Sheriff's Department which is located in the same building. However, the court is planning an independent exercise drill for the last quarter of 2013, without the coordination of the multiple agencies located in the same building.	Bob Burrell, Safety Officer/Bonnie Sloan, Human Resources	April 2014
		<b>Log</b>	The Court provides remote access to county employees, but it has not established an MOU with the county requiring the county to adhere to the Court's IT policies.	I		Agree. The Court is in current negotiations with the county to establish an MOU requiring the county to adhere to the Court's IT policies.	Stephen Konishi, CEO/Michael Pugh, IT Analyst III	April 2014
		<b>Log</b>	The Court does not have an MOU with the county that requires the county to notify them within 48 hours of any county employee who separates from the county and has remote access; and the county to validate, on at least an annual basis, that the county employee still needs remote access.	I		Agree. The Court is in current negotiations with the county to establish an MOU requiring the county to notify the Court within 48 hours of any county employee who is separating from the county who has remote access to the Court.	Stephen Konishi, CEO/Michael Pugh, IT Analyst III	April 2014
		<b>Log</b>	Issue redated due to the sensitivity of the issue.					
		<b>Log</b>	Issue redated due to the sensitivity of the issue.					
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FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
7	<b>Banking and Treasury</b>							
		7.1	<b>The Court Needs to Reconcile Its Trust Account Balances</b>					
			8 The Court has not completed reconciling its CMS trust accounts to the corresponding county treasury accounts.	I		Agree. The Court states it has been diligent in tracking all transactions in these trust accounts on a monthly basis with respect to its CMS accounting records. The trust accounts reside with the county auditor. A contributing problem to having a complete reconciliation of the trust accounts is the inability to access certain information from the county auditor records, such as check (or warrant) numbers and payee names, to determine whether they have cleared or not. Also, it took over the collections of fines, fees and other penalties from the county in July 2010, and inherited the county records and the trust account for victim restitution. This court has made a diligent effort to locate as many victims as possible and identify any restitution funds they are owed. The court would like to return any unclaimed funds to the county, as they are planning on proceeding with their internal escheatment process for unclaimed funds. In addition, it will be seeking the assistance from the Administrative Office of the Courts (AOC), Trial Court Administrative Services, to aid in the account reconciliation of the trust accounts. Further, the court is currently exploring the option of moving the trust accounts from the county to AOC bank accounts for access to a wider variety of information on those accounts and the assistance with trust account reconciliation.	H. Stephen Konishi, Court Executive Officer and Bonnie Sloan, Court Division Manager	September 2013
			<b>Log</b> Monthly bank account reconciliations are not documented as reviewed by a second individual.	I		Agree. The Court states a new procedure will be established that requires all bank account reconciliations to be reviewed and signed by a second employee.	Terese Johnson, Administrative Fiscal Officer	June 2014
			<b>Log</b> The Court has not established written escheatment procedures.	I		Agree. The Court states an escheatment procedure will be created and implemented.	Terese Johnson, Administrative Fiscal Officer	June 2014
8	<b>Court Security</b>		<b>No issues to report.</b>					
9	<b>Procurement</b>							
			<b>Log</b> The Court did not create purchase orders in SAP to encumber funds for 17 of the procurements we reviewed.	I		Agree. The Court's process is under review and a new procedure will be developed and implemented to bring the Court in compliance with the FIN manual.	Terese Johnson, Administrative Fiscal Officer	July 2014
			<b>Log</b> The Court could not demonstrate that an approved purchase requisition initiated two procurement transactions we reviewed.	I		Agree. The Court states a new procedure has been implemented to bring the court in compliance with FIN manual.	Terese Johnson, Administrative Fiscal Officer	October 2013
			<b>Log</b> Eight of ten purchase card transactions we reviewed were not initiated by an approved purchase request as recommended by the JBCM.	I		See response above.	Terese Johnson, Administrative Fiscal Officer	October 2013
			<b>Log</b> The Court's IT analyst performs incompatible duties, authority to approve procurements and to buy goods.	I		Agree. The Court states that the IT analysts will have future procurements approved and purchased by authorized personnel.	H. Stephen Konishi, Court Executive Officer	January 2014

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
<b>10</b>	<b>Contracts</b>							
		<b>10.1</b>	<b>The Court Needs to Negotiate Agreements for County-Provided Services and Strengthen its Review of County Invoices</b>					
		7	The Court does not have an MOU with the County for payroll processing.	I		Negotiations for an MOU with Yuba County for were delayed before and after the retirement of the Deputy Court Executive Officer in December 2012. The court is currently in negotiations as to which services the county will maintain or terminate, which should be concluded prior to December 31, 2013.	H. Stephen Konishi, Court Executive Officer	December 2013
		7	The Court accounts payable department did not match 2 of 5 county expenditures we reviewed to a corresponding MOU or procurement document prior to payment.	I		Training and instruction will be provided to accounts payable staff to ensure that all FIN Manual requirements are followed for processing invoices for payment.	H. Stephen Konishi, Court Executive Officer and Terese Johnson, Administrative Fiscal Officer	December 2013
		7	The Court account payable department did not match 2 of 5 county expenditures we reviewed to proof of accepting goods/services prior to payment.	I		See response above.	H. Stephen Konishi, Court Executive Officer and Terese Johnson, Administrative Fiscal Officer	December 2013
		7	4 of 5 county expenditure transactions we reviewed were for services that are not documented in the an MOU, as the Court still does not have a current MOU for services from the County. <b>(Repeat)</b>	I		See response above.	H. Stephen Konishi, Court Executive Officer and Terese Johnson, Administrative Fiscal Officer	December 2013
		7	Although 1 of the 5 county expenditure transactions we reviewed was for county indirect costs, the Court did not secure the method of calculation from the county.	I		See response above.	H. Stephen Konishi, Court Executive Officer and Terese Johnson, Administrative Fiscal Officer	December 2013
		<b>Log</b>	The Court does not have a process to ensure it has all applicable current vendor certificates of insurance and licenses on file. For example, for one of five contract files reviewed, the insurance certificates and documentation of licensure were not present.	I		Agree. The Court's current process is under review and a new procedure will be developed and implemented to bring the court in compliance with the FIN & JBCM.	Terese Johnson, Administrative Fiscal Officer	October 2014
		<b>Log</b>	One of five contracts tested expired in 2006. <b>(Repeat)</b>	I		Agree. The Court states that a new procedure has been implemented and this contract has now been signed.	Terese Johnson, Administrative Fiscal Officer	April 2014
		<b>Log</b>	One of five contracts reviewed did not have the basis for compensation. Although, it was referenced as Attachment A, the Court could not locate Attachment A.	I		Our current process is under review and a new procedure will be developed and implemented to bring the court in compliance with the FIN & JBCM.	Terese Johnson, Administrative Fiscal Officer	April 2014
		<b>Log</b>	The Court automatically renews/extends contracts that are several years old rather than competitively rebid the contracts.	I		Our current process is under review and a new procedure will be developed and implemented to bring the court in compliance with the FIN & JBCM.	Terese Johnson, Administrative Fiscal Officer	October 2014

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		<b>Log</b>	One of five contracts tested was amended in April 2013 but did not incorporate JBCM provisions, such as a non-discrimination certification clause, contractor certification of compliance with NLRB orders, or certification that the contractor is qualified to conduct business in the State of California.	I		Our current process is under review and a new procedure will be developed and implemented to bring the court in compliance with the FIN & JBCM.	Terese Johnson, Administrative Fiscal Officer	April 2014
		<b>Log</b>	For all five contract files reviewed, contract commitments to reserve court funds were not up-to-date in the Phoenix Financial System.	I		Our current process is under review and a new procedure will be developed and implemented to bring the court in compliance with the FIN & JBCM.	Terese Johnson, Administrative Fiscal Officer	July 2014
<b>11</b>	<b>Accounts Payable</b>							
		<b>11.1</b>						
			<b>The Court Needs to Improve Its Procedures for Reviewing and Approving Travel Expenses</b>					
		2	For six of eight TECs we reviewed, the appropriate-level supervisor did not review and approve the claim form. <b>(Repeat)</b>		C	Agree. The Court states all TECs will be reviewed, approved and signed by the employee's supervisor or above. Further, the PJ will approve and sign all judicial officer's TECs and the APJ will sign and approve any TECs from the PJ. All contractor's TECs will be reviewed, approved and signed by the appropriate contract administrator. The court's account payable staff has been instructed to not process any TECs for payment until the appropriate level supervisor reviews, approves and signs the TEC.	Terese Johnson, Administrative Fiscal Officer	August 2013
		2	For one TEC from a contractor, we could not determine if the mileage was reasonable. Specifically, the mileage claim form only showed the beginning and ending odometer mileage readings. It did not provide the to/from destinations and online maps showing the calculated distance to support the mileage claimed.		C	Agree. The Court states all traveling employees, managers, accounts payable staff and contractors will be receiving a memorandum with instructions on the proper information to include on their mileage claim forms, specifically; beginning and ending odometer readings (the lesser of the mileage between the courthouse or their home and the business destination), the specific reason/case information for the travel, as well as pertinent addresses and online maps (i.e., MapQuest) to support travel destinations and distances. All traveling employees, managers, accounts payable staff and contractors will also receive training and a revised version of the court's travel policy which will include information on FIN Manual travel expense reimbursement requirements, AOC maximum reimbursement limits, types of travel expenses that are allowed and not allowed, as well as detailed instructions on the submittal of appropriate itemized receipts to support all travel expenses.	Terese Johnson, Administrative Fiscal Officer	August 2013
		2	For one TEC, the traveler did not claim the lesser of the mileage between headquarters or home to/from the business destination.		C	See response above.	Terese Johnson, Administrative Fiscal Officer	August 2013
		<b>11.2</b>						
			<b>The Court Needs to Improve Its Procedures for Approving Business-Related Meal Expenditures</b>					
		3	The Court recorded business-related meal expenditures in the incorrect general ledger account. Specifically, it recorded these expenditures in GL 929205 which is for in-state travel expense claim payments for Judicial Officers. Instead the expenditures should have been recorded in GL 921702 which is for the purchase of meals/food for meetings, conferences, exhibits, or shows.		C	Agree. The Court states that all future meal expenses will be recorded to the appropriate GL 929205 account.	Terese Johnson, Administrative Fiscal Officer	August 2013

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		3	All six business-related meal expense transactions were not supported by a complete business-related meal form, memo, or an e-mail. <b>(Repeat)</b>		C	The court will provide closer oversight to ensure that all business-related meal expense claims are pre-approved, in advance by the PJ or written designee, on a form that is in compliance with FIN Policy Nos. 8.05; 6.3, 6.4, 6.5, 6.6, 6.7, 6.8. Any supporting documentation to demonstrate that the business-related meal is an appropriate and necessary use of public funds will be attached to the expense claim form and when applicable will include the following attachments: meeting agenda and sign-in logs for attendees stating names, titles and affiliations.	Terese Johnson, Administrative Fiscal Officer	August 2013
		3	As a result, although five of the six business-related meal expense transactions were for judges' meetings attended by the PJ, all six business-related meal expense transactions did not have evidence that the PJ or CEO preapproved the meals. <b>(Repeat)</b>		C	See response above.	Terese Johnson, Administrative Fiscal Officer	August 2013
		3	For one business-related meal expense where the Court purchased lunch for individuals, there was no evidence that the business function started at or before 11 am, had a business duration of at least three hours, and continued at least one hour after lunch.		C	Management and accounts payable staff have now been trained on the information and documentation required to review, approve and process business-related meal expenses, including business meal timeframe requirements, maximum reimbursement limits. A new business-related meal expense claim form that incorporates all information required under the FIN Policy No. 8.05, is currently under development and will be completed by September 1, 2013.	Terese Johnson, Administrative Fiscal Officer	August 2013 and September 2013
		11.3	<b>The Court Needs to Strengthen Its Invoice Review and Approval Procedures</b>					
		6	7 of 33 invoices we reviewed were not matched to a procurement document prior to payment. <b>(Repeat)</b>		C	Agree. According to the Court, it will provide training and instruction to all accounts payable staff to ensure they understand and follow the uniform guidelines for processing invoices and claims for payment pursuant to the FIN Manual and Judicial Council's Payment Policies for Contract Court Interpreters, and the Government Code for court reporters.	Terese Johnson, Administrative Fiscal Officer	August 2013
		6	7 of 33 invoices we reviewed were not matched to documents showing that the Court received the goods or services. <b>(Repeat)</b>		C	Agree. According to the Court, claims and invoices will not be paid without an appropriate purchase order, contract or agreement that matches the terms of the procurement document or court authorization. Further, the AFO will ensure that the appropriate management personnel reviews and signs any invoice or claim form after first verifying the court order or court authorization, and that the service or goods have been delivered, and that the documentation has sufficient detail as to applicable case numbers and names.	Terese Johnson, Administrative Fiscal Officer	August 2013
		6	For 2 of 33 invoices we reviewed, the amounts the Court paid did not match the terms of the procurement documents or Court authorization.		C	See response above.	Terese Johnson, Administrative Fiscal Officer	August 2013
		6	3 of 33 payment transactions we reviewed were for CRC 10.810 unallowable costs, including food for non-sequestered jurors. <b>(Repeat)</b>		C	Agree. The Court indicates it has now discontinued the practice of paying for donuts or any other non-sequestered juror food or meals.	Terese Johnson, Administrative Fiscal Officer	August 2013
		6	1 of 12 claims we reviewed did not include the applicable numbers and names of the cases the claimant worked.		C	Agree. According to the Court, claims and invoices will not be paid without an appropriate purchase order, contract or agreement that matches the terms of the procurement document or court authorization. Further, the AFO will ensure that the appropriate management personnel reviews and signs any invoice or claim form after first verifying the court order or court authorization, and that the service or goods have been delivered, and that the documentation has sufficient detail as to applicable case numbers and names	Terese Johnson, Administrative Fiscal Officer	August 2013

Key as of close of fieldwork:  
I = Incomplete  
C = Complete

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
		6	5 of 12 claims we reviewed did not include a copy of an applicable court authorization pre-dating the service.		C	See response above.	Terese Johnson, Administrative Fiscal Officer	August 2013
		6	1 of 12 claims we reviewed did not include a sufficiently itemized invoice.		C	See response above.	Terese Johnson, Administrative Fiscal Officer	August 2013
		6	2 of 12 claims we reviewed did not include a written court authorization for exceeding the established costs.		C	Agree. The Court stated that is a small, rural court, and at times have difficulties obtaining court interpreters to work in our court, especially in languages that are rarely required, such as Cantonese, which was the case identified in Issue 1.h, 1.i, and 1.j, and sometimes in more commonly requested languages, such as Spanish. This is especially true if the interpreter can travel out of town and receive more compensation than if they agreed to work for our court. The court will be drafting a new local policy that specifically allows for unique or unusual circumstances in hiring a court interpreter. Included in this policy will be instructions for obtaining a prior written court authorization for exceeding the Judicial Council established payment policies, for either an increase in daily payments or mileage reimbursement.	Terese Johnson, Administrative Fiscal Officer	August 2013
		6	For 1 of 3 court interpreter claims we reviewed, the Court paid for mileage that was not in accordance with the Judicial Council's Payment Policies for Contract Court Interpreters.		C	See response above.	Terese Johnson, Administrative Fiscal Officer	August 2013
		6	For 3 of 3 court interpreter claims we reviewed, the Court paid extraordinary travel costs (travel time) and other higher costs that were not in accordance with Judicial Council approved payment policies, but did not obtain pre-approval of these exceptions from the CEO.		C	See response above.	Terese Johnson, Administrative Fiscal Officer	August 2013
		Log	The Court's authorization matrix for payment approvals includes three employees with authorization limits of \$500,000 each. Such wide scope of approval authority does not effectively limit the indirect access to Court assets.	I		Agree. The Court's authorization matrix will be reviewed and amended as necessary to limit indirect access to court assets.	H. Stephen Konishi, Court Executive Officer	January 2014
12	Fixed Assets Management		Not reviewed.					
13	Audits		No issues to report.					
14	Records Retention		No issues to report.					

FUNCTION	RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE		
<b>15</b>	<b>Domestic Violence</b>									
		15.1	<b>The Court Could More Consistently Impose Statutorily Required Domestic Violence Fines and Fees</b>							
			4			For one of 25 applicable cases with probation that we reviewed, the Court did not assess the minimum period of probation of 3 years (36 months) per PC 1203.097(a)(1).	C Agree. The Court stated the inconsistency in applying domestic violence fines and fees was unintentional. An updated bench schedule with current minimum domestic violence fines and fees will be provided to judicial officers. Probation orders have been updated to include the minimum domestic violence fine/fees. Any compelling and extraordinary reasons, waivers and financial determinations as to why the minimum fines/fees were ordered will be noted on both the clerk's minutes and entered into the case management system.	H. Stephen Konishi, CEO/Bonnie Sloan, Court Division Manager	August 2013	
			4			For three of 25 applicable cases with probation that we reviewed, the Court did not assess the correct amount of the Domestic Violence Fee per PC 1203.097(a)(1). Specifically, the Court did not assess the Domestic Violence Fee for one case, and assessed \$200 instead of the \$400 that was in effect at the time of sentencing for two other cases.	C See response above.	H. Stephen Konishi, CEO/Bonnie Sloan, Court Division Manager	August 2013	
			4			For one of 27 applicable cases with State Restitution Fines assessed and that we reviewed, the Court did not assess the correct amount for the Probation Revocation Restitution Fine (PC 1202.44) and the State Restitution Fine (PC 1202.4(b)). Specifically, the amount was assessed at \$100 and not the \$120 that was in effect at the time of sentencing.	C See response above.	H. Stephen Konishi, CEO/Bonnie Sloan, Court Division Manager	August 2013	
			4			For two of 27 applicable cases with convictions that we reviewed, the Court Operations Fee was not correctly assessed. Specifically, one case had three convictions but the amount assessed was \$40 for one conviction instead of \$120 for three convictions. For the other case, there were two convictions but the amount assessed was \$40 for one conviction instead of \$80 for two convictions.	C See response above.	H. Stephen Konishi, CEO/Bonnie Sloan, Court Division Manager	August 2013	
			4			For one of the 27 applicable cases with convictions that we reviewed, the Criminal Conviction Assessment was assessed incorrectly. Specifically, the case had two convictions but the amount assessed was \$30 for one conviction instead of \$60 for two convictions.	C See response above.	H. Stephen Konishi, CEO/Bonnie Sloan, Court Division Manager	August 2013	
<b>16</b>	<b>Exhibits</b>									
			Log			The Court does not perform periodic inspections of the exhibit rooms. <b>(Repeat)</b>	I	Agree. The Court has written a new policy and exhibit manual that establishes periodic inspections of the exhibit room. The next inspection is scheduled to be completed before the end of 2013.	Bonnie Sloan, Court Division Manager	October 2013
			Log			The Court does not conduct an annual inventory of the exhibit rooms. Therefore, the Court cannot ensure that all exhibits are safe and secure in its possession. <b>(Repeat)</b>	I	Agree. The Court has written a new policy and exhibit manual that establishes an annual inventory of the exhibit room, which will be set periodically within each calendar year.	Bonnie Sloan, Court Division Manager	October 2013
			Log			Three court employees have access to the exhibit room and closet that do not have a business need to access these areas.	C	Agree. According to the Court, the three court employees no longer have access to the exhibit room. In addition, an access log is maintained by court IT and the Exhibit Custodian.	Bonnie Sloan, Court Division Manager	October 2013

FUNCTION		RPT NO.	ISSUE MEMO	ISSUE	I	C	COURT RESPONSE	RESPONSIBLE EMPLOYEE	ESTIMATED COMPLETION DATE
17	Bail								
			Log	Although the Court has a Felony Bail Schedule, it does not include all misdemeanor and infraction offenses, except for Vehicle Code infractions, in its local countywide bail schedule.	I		Agree. The Court was not aware that it need to maintain a misdemeanor and infraction bail schedule outside of the Uniform Bail Schedule. The court will adopt a felony, misdemeanor, and infraction bail schedules annually.	Stephen Konishi, Court Executive Officer and Bonnie Sloan, Court Division Manager	April 2014
			Log	The Uniform Countywide Schedule of bail is not prepared, revised, and adopted annually by the court judges. According to the Court, it was not aware that it needed to adopt a bail schedule each year. Now that it is aware of this requirement, it indicates it will coordinate with the PJ on adopting an annual bail schedule.	I		Agree. The Court states that the presiding judge and judges are in discussions regarding the adoption of the bail schedules, while simultaneously tracking the pending statewide bail schedule legislation.	Stephen Konishi, Court Executive Officer and Bonnie Sloan, Court Division Manager	April 2014
			Log	Our review of selected bail bonds found one case where the bond was forfeited, but the forfeiture letter was not sent nor was the bond exonerated.		C	Agree. According to the Court, this error occurred in part because the part-time employee assigned to bail bond tasks, had their job eliminated. However, the bail bond tasks have now been reassigned and the staff retrained.	Bonnie Sloan, Court Division Manager	October 2013